MARKET ENTERS DECISIVE PHASE

The MAGAZINE of WALL STREET

and BUSINESS ANALYST

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Special 1945

Re-Appraisals of Earnings and Dividend Forecasts

OUTLOOK FOR ALL LEADING COMPANIES

UNDER PRESENT WAR PRODUCTION PLANNING

IN THIS ISSUE

STEELS—METALS
MOTORS AND ACCESSORIES

There's a Tremendous Task Ahead for the Building Industry

★

WHEN the war is over, the building industry faces the greatest opportunities and responsibilities in its history.

Ten years of subnormal building plus three years of wartime restrictions have built a tremendous backlog of needed construction.

Many millions of homes are now either "worn-out" or far below American living standards. Our growing population has contributed to producing a serious housing shortage. There is also a steady trend on the part of many people to move into new and undeveloped areas where entire communities will have to be built.

Thus, the National Housing Administration's estimate that we will need 12,500,000 new homes in the ten years following the war is further proof of the size of the task ahead.

The construction of new homes is only part of the postwar job. A survey by the United States Chamber of Commerce discloses that more than 6,000,000 urban home owners will need vast amounts of building material for remodeling and modernization of present dwellings. Nearly 2,500,000 farmers are planning improvements and additions to farm homes and buildings at an estimated total cost of 7½ billion dollars.

The building of new communities in new areas will call for additional stores, banks, schools, churches, hospitals and other structures essential to community life. They should provide a dollar volume of building almost equal to that of residential construction.

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* * *

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CONTENTS

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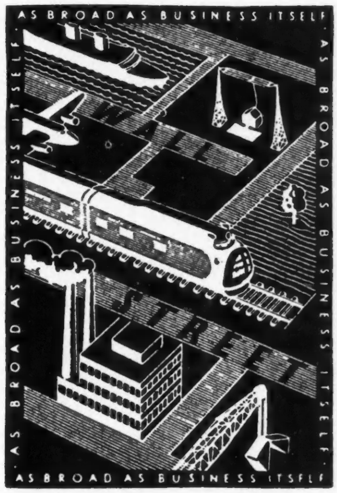
THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Publisher* — E. A. KRAUSS, *Managing Editor*



The Trend of Events

CAPITAL CONTROLS . . . It becomes increasingly evident that the Administration's determination to curb inflation of capital values must be taken seriously. Warnings and minor margin moves having failed, a broader attack on the problem appears in the offing. Officials, it is learned, have under consideration a variety of steps including extension of the capital gains tax holding period, complete elimination of margin trading and further credit restrictions to curb real estate speculation.

Lengthening of the six months holding period for long-term capital gains is said to be the plan favored by the Treasury Department over other suggested alternatives including the Eccles proposal of a 90% war-time speculative profits tax on securities and real estate transactions. Such a step would require legislative action and the extent of congressional support is by no means clear. In effect, it would reverse the recent tax law change whereby the holding period was cut from eighteen to six months. The idea, we understand, has the support of Federal Reserve authorities who hold such a reversal not only desirable but believe it will be effective.

There is no indication whether any thought is given to a simultaneous boost of the capital gains tax. Raising the latter, in any event, would become relatively unimportant for a considerable sector of income which would be brought into the high surtax brackets by changing the holding period to, say, eighteen months. The latter alone would have much the same effect as the Eccles plan, yet might be more palatable to Congress than a straight tax increase.

Authorities seem convinced that elimination of margin trading alone will have little permanent effect, since the market is largely on a cash basis anyhow. Recent market action tends to prove the correctness of this view. Yet whatever new and more drastic controls may be devised, they will strike at symptoms rather than the cause, namely the pressure of idle funds. Whether under the circumstances they can keep the market down remains thus problematical. The suggested moves can and no doubt will deter short-term speculation but the urge to invest is likely to remain strong. Mr. Eccles has been quoted as saying that "the way to stop inflation in capital values is to have fewer buyers than sellers." Whether lengthening the holding period for long-term capital gains can do the trick remains to be seen, so long as surplus funds continue to pile up in the hands of the public.

JOHN L. LEWIS' NEW STRATEGY . . . The United Mine Workers demand for a royalty of 10c per ton of coal mined, payable directly into the union's treasury, marks a trend in labor strategy that could have far-reaching consequences. Clearly, adoption of the plan in coal mining would promptly bring similar demands in many other industries.

Actually, in putting forward his new demands, Mr. Lewis has merely been taking a leaf from the book of experience of war-time labor relations. He has no doubt been mindful of Mr. Petrillo's success

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELORS : 1907 — *"Over Thirty-Eight Years of Service"* — 1945

in getting a royalty for his musicians from phonograph records. Also, he has learned about "fringe" issues, has studied how other unions have been able to win wage concessions without technically violating the Little Steel formula. So he accepts the formula as something here to stay, and ask for "fringe" benefits of the type that the WLB has been passing out.

The Lewis strategy reveals recognition of the union leader that any direct assault on the formula would not only jeopardize his cause in the public eye but, coming from him, would have little chance of success. Thus Mr. Lewis seeks to gain his ends in indirect fashion. Like most other labor leaders, he would like to break the Little Steel formula and get credit for it. He knows full well that some high Administration advisers are sympathetic to revision of the wage formula but don't want the anti-Roosevelt Lewis to carry off the honors, should the formula be broken. Hence Mr. Lewis' avoidance of a direct assault.

Coal operators estimate that the sum total of the new demands, exclusive of the royalty demand, would mean something over $2 a day in additional wages for miners. With his usual cynicism, Mr. Lewis contends that the royalty demand is not inflationary because operators could deduct part of the cost from their taxes, and the rest could be loaded on the coal price to consumers. He ignores the indisputable fact that both these consequences would certainly contribute to the over-all inflationary pressure.

At first blush, the chief significance of the royalty proposal appears to be that payment of such large sums to labor unions would give labor leaders greatly increased economic and political power, in fact provide them with a "slush fund," the use of which many shudder to contemplate. The proposal provides for instance that the fund could also be used for "economic protection," something that might easily suggest political contributions. Labor leaders would have millions to spend that would not come from members. It seems, however, that this very fact would be bound to strengthen demands for closer Government regulations of labor unions. The rank and file of union members, to protect their personal interest in these funds (the royalty after all would be granted in lieu of wage increases), could become the most ardent advocates of Government supervision of union finances.

Mr. Lewis knows that he cannot expect Government approval of royalties of the size suggested but apparently hopes to use the idea as a bargaining weapon to win other concessions. As cited before, his "fringe" demands alone are quite formidable; evidently he hopes that to escape royalty payments, the coal operators — and the WLB — will ultimately be willing to concede most of them. But chances are that the royalty plan will linger; for Mr. Lewis, it's probably too good a thing to be dropped permanently for mere "fringe" awards, if ever he is willing to do so in the present instance.

THE GOLD PRICE . . . Bills have been introduced in both houses of Congress to raise the Treasury's buying price for gold from $35 to $56 an ounce. By such a raise, the sponsors of the proposal want to avoid the necessity of lowering minimum reserve requirements against notes and deposits of the Federal Reserve Banks to 25%. Also, it would provide a neat bounty for gold producers. The latter prospect, however remote, had perhaps something to do with recent market strength and activity of gold mining shares.

Needless to say, there will be no change in the gold price at this time. We have Mr. Morgenthau's word that the Treasury isn't even thinking of it. Any such step would be particularly ill-timed at this juncture. The devaluation of the dollar in 1933-34, during a severe depression, was defensible though unnecessary and futile. To repeat the process now, when an acute threat of inflation confronts the country, would be downright mischievous. It would seriously undermine the faith in the future of our currency. The harm it would do would be a grossly excessive price to pay to provide a further bounty for gold producers.

Speaking of such a bounty, however, even if the gold price were raised, there would be precious little chance of gold producers to profit therefrom the way they did on the last occasion. We can rest assured that any future potential profits of that sort will be promptly and fully taxed away. Would-be speculators in gold shares, trading on the possibility of a gold price rise, need harbor no illusions on that score. They are banking on a false premise.

Today, another reduction of the gold content of the dollar would serve no economic purpose; it would be unjustified on both banking and monetary grounds.

ON "HOLDING THE LINE" . . . Fred M. Vinson, in his last act as director of the Office of Economic Stabilization, has reversed his position under the "hold the line order." Previously, he tenaciously held to the view that the War Labor Board could not authorize any "fringe" wage increases if they caused higher prices. In a new directive to the WLB, Mr. Vinson has now set forth four conditions under which the Board may approve wage adjustments, even though they demand a rise in production costs and consequently in price ceilings.

The new ruling is tantamount to further weakening of the Little Steel formula, therefore hardly apt to enhance labor's regard for that instrument of economic stabilization. The conditional adjustments permitted in the Vinson order will clear the way for wage increases which have been sought by textile and meat packing workers. Though the pay increases will become effective only if finally approved by the Economic Stabilizer, the ruling nevertheless points to a gradual closing of the gap which so far divided WLB and the Stabilizer's office. Also the directive would indicate that the Administration is convinced that fringe increases are necessary and that a formula for granting them might relieve at least part of the pressure for general wage adjustments. Pressure on the basic wage structure is rapidly building up, as we well know, and "holding the line" will become increasingly difficult.

As I See It!

BY ROBERT GUISE

CHAPULTEPEC AND SAN FRANCISCO

THE Act of Chapultepec marks the end of a century-old tradition that the power of the United States should be kept north of the Rio Grande and that no American state should interfere in the external affairs of another "for any reason whatsoever."

In the past, Latin nations have been suspicious of the "Colossus of the North" and resentful of Yankee interference in their external and internal affairs. They have come to realize that the Monroe Doctrine which defended them against European pressures, exposed them to United States pressures, that essentially the Doctrine was a policy of the United States, not of the Americas. The Act of Chapultepec now appears to supersede the Monroe Doctrine. In the latter we undertook to protect the New World; in Chapultepec the American republics together undertake to safeguard it.

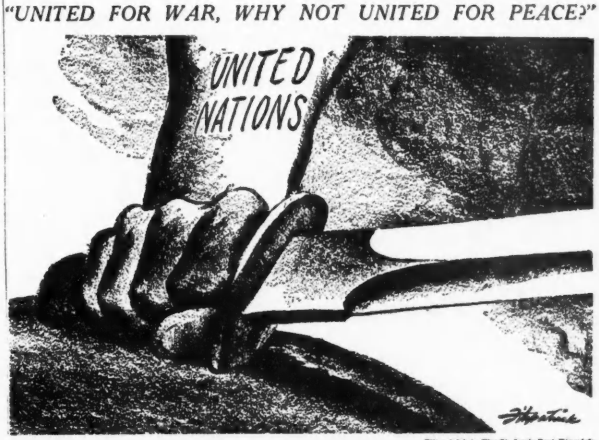
The Mexico City conference has shown to what an astonishing degree Latin American attitudes have changed. Nineteen countries, in effect, asked that the United States promise forceful intervention not only against aggression from outside but from within the Hemisphere as well. The American nations have never before combined in this manner to guarantee hemisphere boundaries against an American aggressor. Not a word of apprehension was spoken against reversing the tradition against allowing United States power to operate in Central and South America.

Viewed from this standpoint, the Act of Chapultepec ranks as an epochal document. Apart from designing the application of principles to maintain peace, it discards — presumably permanently — the cardinal Pan-American principle that American nations should not intervene in each other's affairs. Instead, the signers agree to fight anybody, whether within or outside the Western Hemisphere, who attacks or threatens their territory or "political integrity" during the remainder of World War 2.

By limiting the pledge to the duration, the American delegates got around the necessity of immediate Senate approval. By promising to write the pledge into treaties and submit them for ratification later, they gave the Act a fair chance of becoming permanent policy. Beyond a doubt, the cooperative attitude displayed at Mexico City has been truly astounding. In short range, acceptance of the Act constituted a specific warning to potential aggressors in the Americas. In long range, it marks a historic departure in the policy of the United States as well as of the sister republics to the South. Its real importance cannot be assessed until sweeping generalizations are translated into action. But a first step appears to have been successfully taken and lasting gains in knitting the Americas together politically and economically seem probable.

Almost as important as the political agreement, at least in its potentialities to the Latin nations, is the Economic Charter proposed by the United States. Essentially a programmatic statement of American postwar economic policy, it calls for joint action by the United States and other hemisphere nations to assure orderly transition of the economic life of the Americas to peace-time conditions. It embodies firm policies which are expected to govern economic discussions at the United Nations Conference in San Francisco where the State Department will try to obtain binding commitments on free enterprise.

"UNITED FOR WAR, WHY NOT UNITED FOR PEACE?"



Fitzpatrick in The St. Louis Post-Dispatch

On the whole, the Charter was hailed in most countries below the Rio Grande. One Mexico City newspaper took the bull by the horn by headlining jubilantly: "North America guarantees the economic future of the continent." Not all sections of the Charter, however, are likely to find sweeping approval. Especially in the matter of tariff reductions, elimination of state trading and cartels, and the basic question of return to free trade, it may be rough going once negotiations get down to brass tacks.

The Act of Chapultepec is clearly a step towards Western Hemisphere equality. The equalitarian approach underlying it, and the solidarity displayed, are perhaps its most outstanding features. In that respect, it is in strong contrast with the Dumbarton Oaks world security pro- (*Please turn to page* 660)

Market Enters Decisive Phase

With the limits of reaction only tentatively tested out, the question of resumption of the major advance is in abeyance. In this crucial late phase of the European war, with shift-over problems complicated by military control, a conservative and selective investment policy continues to be warranted.

BY A. T. MILLER

IN eight months from July 10, 1944, to March 7 the bull market was extended by 11.02 points, net, as measured by the Dow-Jones industrial average. In two trading sessions last week 47 per cent of the eight months' net gain was cancelled. This is a striking reminder that stocks go down — when reaction strikes — much faster than they go up, and that present-day markets are considerably "thinner" on the downside than formerly. However, the week ended with a partial recovery and nerves calmer.

As usual, there is debate as to the cause of this reaction. Some blame it on the official anti-speculation campaign which has been spear-headed by Chairman Eccles of the Federal Reserve Board. But as the sudden rush to take profits virtually coincided with the news that American forces had crossed the Rhine and that the Russians were on the move again for Berlin, it may be argued that thoughts of early peace and looming reconversion problems were also influential.

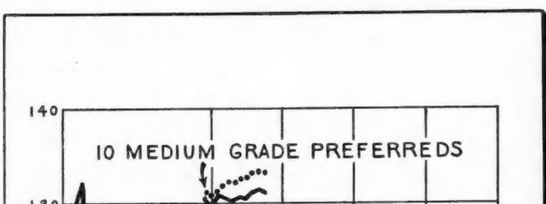
Whatever the separate weight of these two factors on speculative and investment sentiment, the combination was enough to produce a sudden and concerted attack of jittery nerves. And when the test came, the technical condition of the market proved to be somewhat less staunch than many had supposed it to be.

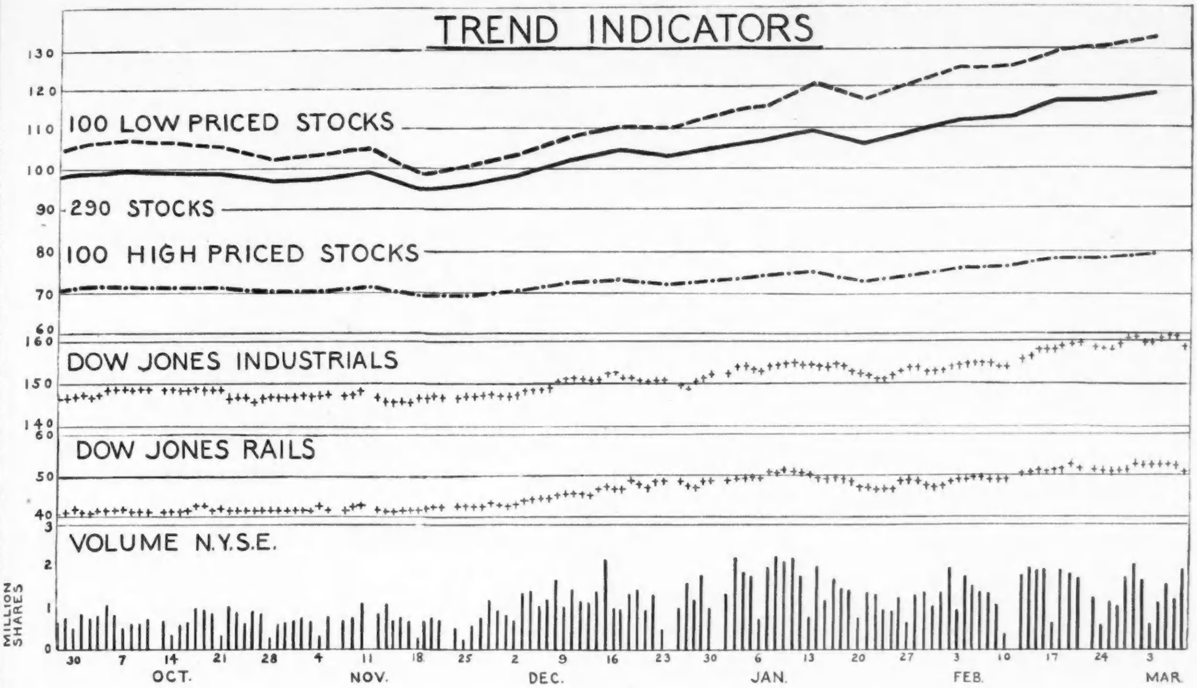
It may be noted, however, that within the fortnight since our last previous analysis was written — and before the New York Stock and Curb exchanges had adopted their rules prohibiting margin dealings in stocks priced at 10 or less and raising margin requirements on stocks from 10 to 20 — there had been some symptoms of deterioration and "tiredness" visible in the market's performance. A number of previously favored stocks were faltering. Relatively few of the higher-grade equities were getting anywhere. Bank stocks, which often move ahead of the general market, were lagging. The minor "resting periods" were becoming more numerous.

So it is quite possible that this market was ripe for a corrective reaction anyway — and that there was less threat of its sailing through the roof than Mr. Eccles feared. This is not 1929, and no considerable number of people were under any illusion that we have a perpetual bull market offering an easy road to quick riches. Whatever their absolute number, the **relative** number of uninformed, small-fry speculators who buy stock prices — as contrasted to stock values — much as they would bet on the horses, is not remotely to be compared with that of the old and unregenerate days.

On the whole, the average 1945 investor is probably a fairly realistic individual — not unaware of the uncertainties inherent in these war-times. After all, though the **potentialities** of advance are always debatable and unprovable, a market which — as measured by the most widely used average — stood at 145.82 in July, 1943, at 150.50 in July, 1944, and at 161.52 on March 7, 1945 can not be said to have provided any considerable evidence that it had become a "run-away" affair.

Now that the market has had a cooling chill, perhaps the officials who have been wagging their fingers at it will let it alone for a while. That would





seem a good idea, even from what we imagine the Reserve Board's point of view must be. The Board has only one weapon it can use: margin control. It could put the market on a 100 per cent cash basis but it can't be sure — and neither can anybody else — just how such a market would act. It may well be that as a checkrein on speculation this power is more potent, if potent at all, only so long as it is held in reserve. Once it is used, the Board will have run out of ammunition.

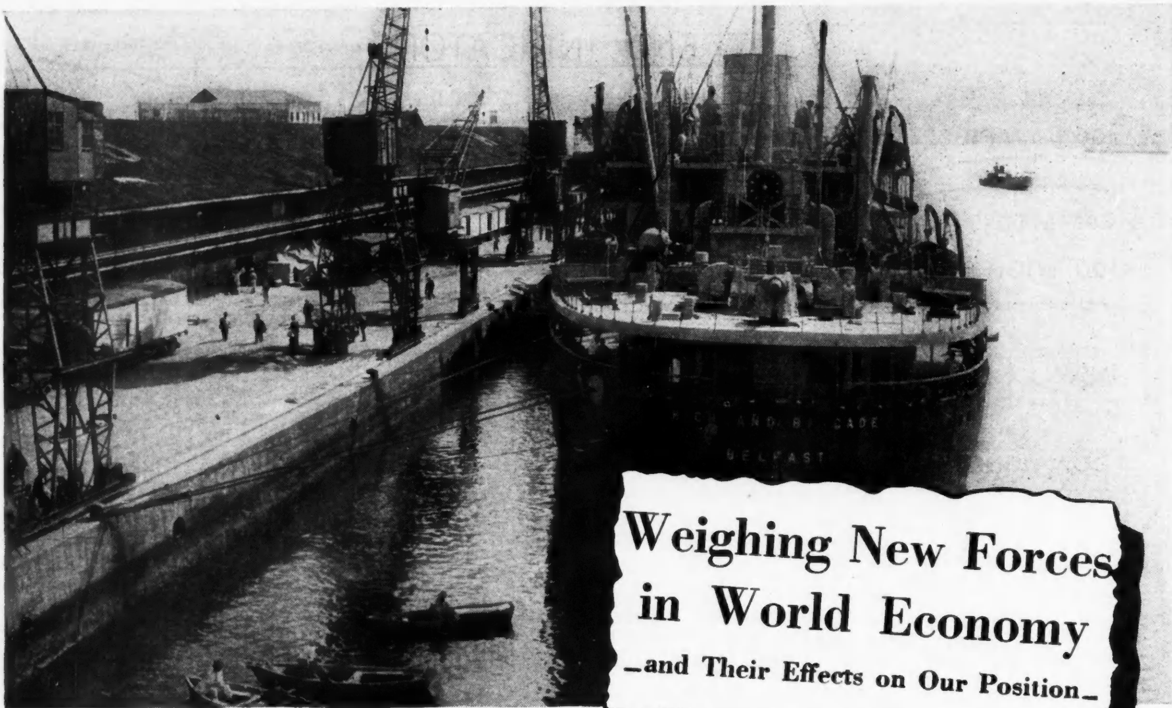
Mr. Eccles is obviously aware of the limited effectiveness of tightened margins, which is precisely why he and the Treasury — the latter so far speaking only through newspaper "it is understood" stories — favor a tax approach. The talk in recent days has had to do with extending the tax-purpose holding period for long-term capital gains to 18 months from the present 6 months. This, of course, would require legislation. Congress might or might not take to the idea. As things look right now, it is very unlikely that it will do so.

Prices of short-supply civilian goods are being controlled fairly well through rationing, but stocks can't be rationed. Prices of many other goods are directly under the Government's thumb because it is the sole buyer or has other effective levers — which again has nothing to do with stocks. Now as long as the Government, of necessity, continues to inflate the supply of money — and as long as the redundant supply of investible funds forces the yield rate on high grade bonds lower and lower — it seems to us that official efforts to "sit on" the bull market would have a pretty good chance of being self-defeating in the long run, whatever the temporary effects attributable to novelty or uncertainty.

Margin restrictions are at least theoretically right. To the extent that they have effect, it is to check buying; and without impeding selling. But penalty tax rates on capital gains, or a much lengthened holding period, are just the opposite. These would discourage both buying and selling, but the latter by far the most. The yield on a 2½ per cent coupon Government bond, with maturities as distant as 20 years or more, recently got down to 2.33 per cent. In other words, the cheapest money in our history is still getting cheaper. As long as this is the case, regardless of the ebb and flow of speculative enthusiasm, a considerable amount of genuine investment money will be impelled toward common stocks where prospects appear good and yields attractive. Make it more costly to take profits, by tax changes, and prices could go up all the more readily, other things being equal.

For the present, however, other things are not equal. The changeover to peace, which certainly is the main thing the market had been hopefully discounting, has been both delayed and much complicated — not so much by the boosted arms program itself as by the well-nigh complete rule of War Production Board policy which the military has assumed. As a result — for the wise Baruch-Hancock recommendations are being substantially ignored — the readjustment will be less smooth, the shock to the economy greater. And the cutbacks will inevitably be larger than the public is now being told.

In this setting, in the most crucial late stage of the war, and with the possible limits of reaction only tentatively tested out as this is written, a conservative and selective investment policy remains in order. — Monday, March 12.



Weighing New Forces in World Economy

—and Their Effects on Our Position—

BY E. A. KRAUSS

EMERGING from the war with enormously expanded productive capacity, this country will have an obvious interest in the freest possible access to foreign markets. Our primary postwar goal is full employment, that is fullest possible use of our productive facilities. Such tremendous output cannot possibly be absorbed at home alone; we must look to the world for additional outlets to keep industry humming, to provide a maximum of jobs and better living conditions for the average citizen. That's why both Government and industry are looking hopefully on foreign trade potentials after the war.

In view of the record of failures in the inter-war period to place international commerce on a sound and mutually beneficial basis, what are the chances for successful international cooperation in economic affairs after the present conflict? On the face of things, the problems confronting us now are much tougher. The war has already lasted longer than the first World War; more nations have been involved as belligerents and destruction has been immeasurably more severe and widespread. Also, the present conflict has been far more costly, undermining the economy of virtually every participant and bringing about incisive shifts even in the ranks of non-belligerents. Consequent disturbances in the channels of trade and in normal life, and future needs of nations and their populations will be far more telling in their international economic implications than before.

Beyond that, the architects of the new international economy will have to cope with the rise of new ideas in the minds of millions of people everywhere regarding the kind of world they want to live in. The cry for prosperity, or at least improved living conditions, is universal. It is a factor that must not be underrated in its effect on postwar economic policies everywhere, just as here in our own country it finds expression in the ambitious concept of full employment and greater economic security for the individual.

Full production requires a high level of employment but that is only half the story. The problem is not simply to provide as many jobs as possible. They must also be remunerative jobs, opportunities for highly productive employment so as to give the workers a maximum of buying power. This double aim can be accomplished only by making the most effective use of the human and natural resources of every country, and such use is possible only if international trade is greatly expanded.

Even the layman today realizes that it will require a new approach to accomplish these aims, to meet the new conditions affecting future commercial policy. If there is controversy on this point, it revolves around the question of how far we should go in this new approach, and what particular avenues should be chosen.

Among the new situations which will face the organizers of the postwar world economy will be the drift toward state control of foreign trade. Unquestionable, the fact that Russian trade, for instance, has been a state enterprise for almost a quarter century will take on new significance after the war, should Russian foreign trade undergo considerable expansion. Indications of the scale on which that country would like to operate in postwar trade are

found in reported negotiations (involving huge sums) of a Soviet trade commission with American and British interests for postwar supplies of consumer goods and capital equipment. The eventual scale of Russian participation in world trade will, however, largely depend upon her sense of political security as well as extension of credits and acceptance of Russian goods in multilateral trade.

Government control has progressively increased even in our own country and in Britain, former mainstays of the private enterprise tradition. Other belligerents had to do likewise to bring their resources to bear effectively on the combined war effort. Even neutrals found state management of foreign trade imperative to protect their economies against disturbances engendered by war. It is a trend that can be reversed neither easily nor quickly; the exigencies of the transition to peace will require continuation for a considerable period of a large measure of Government direction almost everywhere.

Then there is Britain's problem, England, traditionally, has imported more merchandise than she could pay for by exports, settling the difference by services and, importantly, by the income from foreign investments. All these sources of revenues have been greatly diminished by the war. England has liquidated a substantial portion of her foreign investments; her merchant marine is depleted and the remainder is threatened with ruinous competition from our own huge new fleet of ocean carriers. The British postwar balance of international payments consequently will show a great gap which can be closed temporarily by borrowing but in the longer run only by expanding exports or by cutting imports so drastically as to threaten the British standard of living, something to which no British government would accede. This situation is mainly responsible for the divergence of American and British determination to push postwar exports to the utmost.

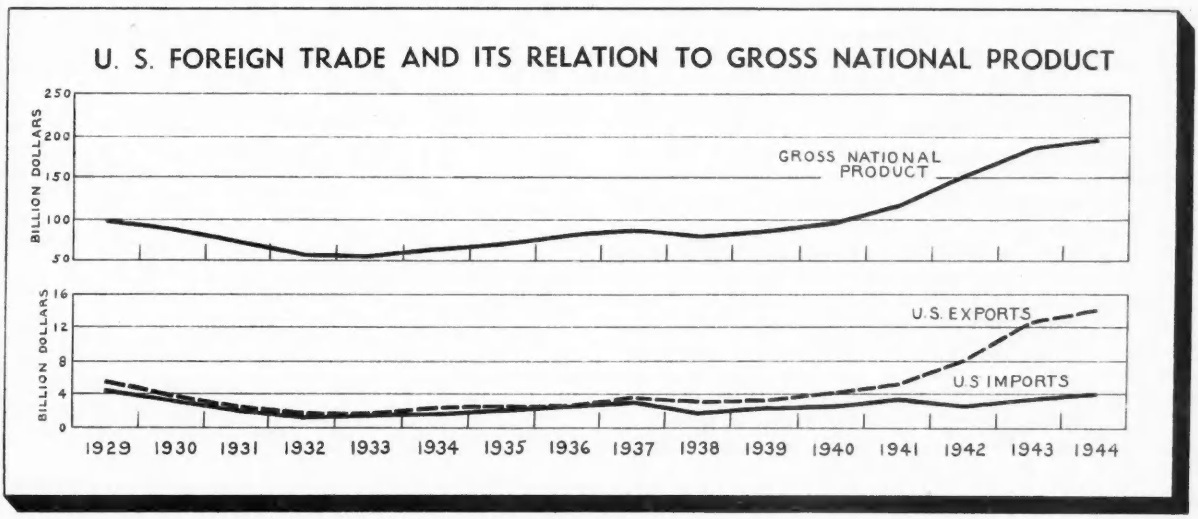
Elsewhere, in countries still undeveloped industrially such as China, India and the Latin American republics, the demand for a better life takes a different shape. By stimulating manufacturing and mining in these areas, the war has strengthened the desire of their people for a more diversified industrial life. The urge to further industrialization, and all it means in world-economic relations, is another new and powerful factor that must be dealt with constructively.

Our Import Problem

Our international payments after the war will be as heavily out of balance as Britain's, but in the opposite direction. With the entire world looking to us as principal supplier of immediate postwar needs, we are threatened with an exaggeration of the export surplus which so long has characterized our foreign trade. Our problem is how to find a way of buying enough abroad to enable foreigners to pay for our exports. If people abroad have no buying power, we cannot sell them anything except on credit. As it is, and this differentiates our position from Britain's, we don't need to push our exports by cartel arrangements, bilateral bargaining or preferential tariffs except perhaps in the case of some agricultural surpluses.

How can these conflicts be resolved? The problem of finding a workable solution is aggravated by the fact that at the war's end, the world economic situation will be fluid. In all belligerent countries and among neutrals as well, new industries have been created under pressure of war, and populations have been shifted on a grand scale. The dissappearance of a defeated Germany as a powerful economic factor will cause an economic vacuum in Europe which in itself will pose a very difficult problem. Everywhere, Governments will be faced with transitional questions of immense complexity and import. Everywhere, the most pressing problem will be to keep business active and people at work, and to supply the most urgent needs of war-starved and dislocated economies.

In this critical period, some countries (though few) will have surpluses of goods for export; others will be in desperate need for food or raw materials. Some will have sizable nest eggs of gold and foreign exchange, others will suffer from a severe shortage of buying power in international markets. Unless



some scheme of planned international action is set up in advance for keeping trade channels open and providing credit and capital on an international scale, each country will be forced to work out its own solution. Such solutions, as we know by experience, will be restrictive of trade and provocative of economic warfare. At best, they will hardly aid us in achieving our goal of full employment.

Rather, if we want to prosper, we must realize that economic health is essential all around. We must take an interest in the prosperity of our potential customers, our debtors and the world at large, for we cannot prosper in an ailing world. In our own interest, we must take more foreign goods than we have bought before. We cannot shrink from these realities and take shelter in economic isolation. Not if we want reasonably full employment.

New Pattern of Economic Policy

Realization of this truth has led to a new pattern of American economic policy, designed to assure the international movement of goods in large volume. It is evident that trade policies involve many elements: Exchange controls, trade restrictions, monopolies, subsidies, quotas, cartels, commodity agreements—they all constitute the panorama of international economic scenery to each of which we tend to direct our attention according to our interests and prejudices. The Bretton Woods agreements have taken cognizance of some of these elements. With regard to cartels and monopolies, we have had the benefit of much discussion in both official and private quarters. In combination, all these elements present us with a complicated and difficult problem and necessarily we have come to look at it from the standpoint of practical learning.

In turn, this has brought realization that (1) by the very nature of the world economic structure, domestic trade and foreign trade cannot be compartmented. Even though our exports statistically may appear as a relatively small fraction of our total output, it has been demonstrated that we cannot long be prosperous when the rest of the world is sick. And (2) that international trade in its broader sense is a two-way affair; that in the final analysis, imports finance exports; that any ill-advised method of moving domestic products into foreign markets will eventually cause dislocations, the ultimate consequence of which is a shrinkage in the total flow of international commerce. There is nothing theoretical about this. Past experience has furnished conclusive proof, just as it has demonstrated the illusiveness of the idea that we can be self-sufficient. Besides, as a net creditor nation, we have a special stake in world prosperity.

In short, we have come to recognize that in order to insure postwar stability and prosperity at home and abroad, mere production is not enough. Good must be permitted to move. In the immediate postwar period, this will not be easy of achievement and requires special machinery for financing the exchange of the world's products.

The new pattern of foreign trade policy now taking shape embraces both shorter and longer range measures. Shorter range plans to get things going immediately after the fighting stops and aid transition to a peace economy; and longer range measures to assure, if possible, long-term economic stability.

Our shorter range policy rests primarily on the Bretton Woods agreements, on greatly expanded financing activities of the Export-Import Bank, and on extension of Lend-Lease aid into the immediate postwar period. Bretton Woods of course caters to longer range objectives as well, specifically in the field of currency stabilization. Other long-range moves include the broadening of reciprocal trade agreements, involving lower tariffs and compromise settlement of the various conflicting elements detailed before. All these measures are to be supplemented by what has been called a bold policy of long-term postwar investment abroad.

Naturally, there is no rigid dividing line between short and longer range aims; both are being pursued simultaneously just as Bretton Woods is thought of as not merely a stop-gap but rather as a bridge to permanent stability and trade stimulation.

The sailing will not be smooth, either here or abroad, for the points of conflict are many. Right now, we witness a struggle in Congress over Bretton Woods; soon, extension of Lend-Lease into the immediate postwar years will face the congressional test. Beyond that looms a stiff battle over tariff cuts, designed to aid our exports as job makers and reverse the world-wide trend toward closed economies.

Near-term Measure

The merits and demerits of Bretton Woods have been discussed in the last issue of the Magazine, hence no repetition of the controversial issue involved is needed. The desirability, if not necessity, of extending the lending powers of the Export-Import Bank to spark immediate postwar trade and aid rehabilitation abroad is freely conceded all around; any question that may arise has to do with "how much" rather than the basic aims involved. But lend-leasing of postwar aid—as a pump-priming device until other arrangements can be worked out—is far more controversial. The starting amount, $900 million to France, is relatively modest but a symbol of more to come. Russia is reported to be interested in negotiating some $6 billion postwar credits on a lendlease basis. Britain may want a substantial amount; China will be in the market and there may be others.

Use of Lend-Lease as a long-term lending medium accomplishes a number of purposes. For one, it circumvents the Johnson Act, repeal of which is being sought by the Administration. Also, Lend-Lease terms are far more lenient than those under any other arrangement. The French are to be given thirty years to pay, at the low interest rate of 2⅜%.

The new Lend-Lease phase creates a vital issue, or rather several issues. It raises the question whether postwar aid is a proper part of the Lend-Lease concept, whether Congress contemplated any such use of Lend-Lease, whether it duplicates or infringes on Bretton Woods, whether not our own prospective needs make such pledges inadvisable, perhaps even unredeemable, thus ultimately creating ill-feeling abroad. Critics among foreign traders see therein a "frank (*Please turn to page* 658)

Companies Planning for Postwar Growth

—With Especially Selected Situations—

BY J. C. CLIFFORD

DESPITE the preoccupation with the war — and at no harm whatever to the war effort — corporations are doing plenty of planning for post-war right now. This ranges from "exploratory thinking" to fairly complete blueprints, the latter mostly unrevealed. Broadly speaking, there are two basic motives: (1) the defensive motive of maintaining position against increased post-war competition; and (2) the offensive motive of expanding volume as a base for larger earning power. Often both are present.

As the old saying goes, there are various ways of skinning a cat. Some companies — indeed, scores of them — are expanding by "buying up" desirable smaller concerns. Others plan internal expansion only. Some will merely enlarge output of products previously made. Others will "round out" lines by adding "related" products not made before. Still others, making the boldest and most risky jump of all, will invade fields of business completely new to them.

In a choice between buying added volume or "rolling your own," the tax status of the company has a lot to do with the decision. Acquisition in most cases increases the invested capital base and may save some excess profits taxes. But buyers of companies, like buyers of most everything else these days, are buying in a sellers' market: in other words, they are paying boom prices, whether in cash or stock; and it may, in many cases, take a very boomy post-war boom, indeed, to make the return on this added high-cost investment anything worth shouting about. On the other hand, wherever internal expansion is possible on an even partial current expense basis, it can promise a much higher return on invested capital — after EPT is eliminated or reduced — than could be had through external expansion via acquisitions.

However, if there is a strong or compelling urge for expansion, in many cases it can be had now **only** by acquisition; for, while a certain amount of laboratory development work is feasible, it is out of the question to build new plant — or get machinery, labor and materials for it — unless it is directly and essentially related to the war program.

There have been a great many company purchase deals over the past year, and more are added to the list almost every week. A partial list of the more

General Motors Photo

important corporations on the acquiring side would include American Home Products, Dresser Industries, Pullman, Oliver Farm Equipment (now Oliver Corp.), Flintkote, Continental Can, General Time Instrument, National Gypsum, Spiegel, Inc.; American Chain & Cable, American Type Founders, Beatrice Creamery, Continental Motors, Distillers-Seagram, Bethlehem Steel, Rheem Manufacturing, General Tire & Rubber, Doehler Die Casting (now Doehler-Jarvis), National Distillers, Schenley, U. S. Steel, Worthington Pump, and many others.

Within the space available, one can not discuss details of the acquisition deals even of very recent months — nor is it pertinent, as a practical matter of investment guidance. In the great majority of cases the question of whether corporate expansion — whether external or internal — will "pay out" is obviously something that no amount of analysis by the investor, or by this writer, can determine. You can take it on faith, and hope for the best — or leave it. About all one has to go on is the past record of the management. If it has been generally good, probably the management knows what it is doing in undertaking expansion.

There are several considerations, however, which are worth some cogitation. First, there is obviously the strongest ground for confidence in instances where the expansion does not take a company beyond the range of its experience or demonstrated "know-how." If it plans to do something which is entirely new to it — but by no means new to competitors — you might better keep your fingers crossed.

Second, some skepticism as to future profit possibilities is in order when the expansion is in lines especially crowded with newcomers. This appears true of radio, television, electronics; to some extent of plastics; also of practically every type of household apparatus. Eventual profit margins are cer-

tainly a big question mark in many lines.

Third, the cost basis of acquisitions — or of internal expansion — invites close attention by the investor, though this is not easy for in many instances the companies do not reveal adequate information on this matter. A case in point is Spiegel, Inc.

The speculative possibilities in this low-price stock were called to the attention of readers of the Magazine of Wall Street repeatedly in 1943 and 1944, when its lowest range was 3 to 6, against present price around 15. Since it earned $2.51 a share in its best pre-war year and since it is now well along in correcting defects in its operating set-up that were revealed under the stresses of war, it is quite possible — probable, in the writer's opinion — that the longer-term potentialities have not been adequately discounted. Spiegel formerly was a mail order concern overly dependent, as events proved, on time sales of furniture, hardware, furnishings, etc. Contrary to the general trade trend, the war cut its volume severely and profits vanished. Along with various other changes, including some in executive personnel, the company over the past year or so has been aggressively getting into the retail chain store business. Which brings us to the question of the cost of acquisitions.

Purchases to date have consisted of the Sally chain of 46 stores, selling women's and children's apparel; the Federal Outfitting chain of 20 West Coast stores, selling apparel and home furnishings; the Askin-Beverley Dress Shops with 26 stores selling women's specialties, and a large Chicago home furnishings store. Neither the prices paid nor the means of payment have been revealed. The effect on volume is obviously favorable, for January sales showed the very notable gain of 170% over a year ago. It is very likely that the company will be back on the profit side for 1945. But it is an entirely safe guess that the acquisitions were not low-cost buys, and how advantageous they may be in terms of profit remains to be seen.

Fortunately, in this instance, there are other reasons why Spiegel has excellent prospects. Even if the chain store ventures yield only a "fair to middling" profit, the resumption of normal mail order volume in, and installment selling of, consumer's hard goods will give this company potentialities far greater relatively than those of soft-goods retailers who have been faring handsomely in recent war years.

In previous issues favorable attention has been called to Standard Oil of Ohio and Atlantic Refining. Suffice it to observe here that they are examples of war-time internal expansion on an unusually low net-cost basis which is unique to oil companies in high or relatively high tax brackets. In other words, the happenstance of their situation makes it possible to drill oil well and enlarge proven oil reserves at lower out-of-pocket cost than before the war, regardless of the advanced prices of labor and materials. They are building future earnings — oil in the ground — largely on a tax-subsidized basis. Thus, they will come out of the war with a much bigger relative gain in fundamental position than is possible for oil companies which are already fully, or largely, integrated.

Statistics On These Expanding Companies

	Gross Revenue (Millions) 1939	Gross Revenue (Millions) Latest Year	Net Per Share 1939	Net Per Share Latest Year
Atlantic Refining	$126.9	$212.6	$1.66	$5.30
Butler Bros.	78.8	116.4	0.83	1.0[illegible]
Canada Dry Ginger Ale	(a)16.6	31.5	1.88	2.34
Continental Can	92.2	174.3	2.71	2.12
Decca Records	3.6	11.3	1.00	2.67
Dresser Industries	(b) 6.9	55.0	2.55	4.73
Flintkote Co.	17.2	37.2	2.11	1.38
General Tire & Rubber	(c)24.0	52.0	3.77	2.99
Industrial Rayon	12.3	20.6	1.78	2.16
Pullman, Inc.	90.4	398.6	1.05	2.85
Schenley Distillers	(d)73.9	386.6	1.68	7.66
Spiegel, Inc.	52.9	27.8	1.02	Nil
Standard Oil of Ohio	65.1	143.6	6.64	5.31

(a)—Years ended Sept. 30. (b)—Years ended Oct. 31.
(c)—Years ended Nov. 30. (d)—Years ended Aug. 31.

Selected Companies

The accompanying table has not been confined to companies which recently have made important acquisitions, though it includes some such. In it are also some situations with very promising internal growth potentials. The important consideration to the investor is profit growth, whether facilitated by mergers, acquisitions or otherwise. The table is not contended to be exclusive. It is the writer's selection of thirteen stocks regarded as having much above-average prospects for longer-term appreciation because of acquisitions or internal growth indications or both. Most of these have been analyzed in the pages of this Magazine before: Schenley and Pullman at some length. For present comment, though brief, the writer especially singles out Flintkote, Decca Records and Canada Dry Ginger Ale.

Flintkote's volume in the past has been nearly two-thirds in roofing materials, which is perhaps the most competitive branch of the building materials field. Even so, in favorable past years it has earned as high as $2.35 a share and it is now priced at only 11.6 times that figure. Recently it acquired the Tile-Tex Company, maker of floor coverings, for 62,800 shares of Flintkote stock. It has also bought an asbestos mine in Quebec, and a surplus plant from Raybestos-Manhattan in New Jersey. In fairly recent times it has gone in for insulation and wall-board, paperboard and boxboard products and paper-board-plastics combinations. As increasingly diversified, this company might readily have earnings of $3.50 to $4 a share when building is booming after the war and taxes have been reduced. The stock is around 27.

Canada Dry has a good position in liquor and soft drinks, with the trade name alone a great advantage. Until interrupted by the war, it had been expanding the number of its bottling plants rapidly. As a result of wider distribution facilities, together with accepted trade position of its brands, future sales are quite certain to be far larger than before the war. The full benefits to earnings will be realized as taxes are reduced. Assuming an eventual 40% tax rate, the writer believes this stock, now at 33½, is in line for post-war earnings as high as $5 to $6 a share. (*Please turn to page* 652)

Variations In Corporate Financial Strength As Revealed

Part II

By... *1944 Balance Sheets*

BY H. M. TREMAINE

SINCE our preliminary study of year-end balance sheets, presented in the last issue of the Magazine, further evidence has come to hand confirming the basic trends noted in that article. They find expression not only in additional individual balance sheet exhibits but also in a composite of 120 manufacturing companies compiled by the National City Bank of New York and presented in the appended table.

This composite picture indicates that the 1944 expansion of total assets was the smallest in any year during the war period. Most of the increase took place in Government securities holdings, with cash and other assets (the latter including postwar tax refund bonds) also rising. The gain in inventories — which contradicts our previous findings of a declining inventory trend — was mainly due to special circumstances. According to the National City Bank, this gain was confined mostly to the tobacco companies as was the increase in notes payable, the reason being heavier borrowing by the tobacco industry to increase raw tobacco stocks.

Were the tobacco companies excluded from the composite, both inventories and notes payable would probably show little change (in many cases, there will be reductions); total assets expansion would probably be virtually negligible in line with the previously noted trend pointing to an incipient reverse trend from the great assets expansion which began with the initiation of the war program. While the trend is by no means uniform, it is unmistakable especially among war-active companies, as pointed out in our preceding study. It should gain momentum, and perhaps broaden further, during the current year.

Indicative of the continued trend toward greater liquidity, working capital in the composite balance sheet shows a further good increase, with the current ratio improving modestly. According to the findings of the National City Bank, working capital in the four war years since 1940 has been built up by 39%. Government securities and cash together comprise some 33% of current assets, almost covering total current liabilities. Holdings of Government securities alone come close to matching tax reserves. The latter constitute 49% of current liabilities at the end of 1944. Inventories in the composite picture amount to 48% of current assets but after exclusion of the tobacco companies should bulk considerably smaller in the majority of cases. Receivables, both actual and percentagewise in relation to current assets, registered a small decline. Capital and surplus continued to rise, though at a slower rate than in preceding years, chiefly reflecting retained earnings. Reserves increased further but at the end of 1944 were but 4% of total assets. A small increase in gross plant account was more than offset by depreciation reserves. As a result, net property at the end of 1944 came to only 25% of total assets compared with 26.5% the year before, a fairly conservative ratio for such a cross section of American industry.

While the composite statement highlights general trends, it can by no means be regarded as typical of all manufacturing concerns. Individual exhibits sometimes vary greatly from the general picture. We have therefore prepared another series of comparative balance sheet data showing 1943 and 1944 positions and the changes that occurred during the latter year. The divergencies shown individually and from the composite picture should prove of interest.

Consolidated Vultee Aircraft Corporation, a heavy war contractor, shows a sizable contraction of total assets, centering mainly in current items, notably in inventories. Receivables, securities holdings and cash also declined markedly. However, current lia-

COMPOSITE BALANCE SHEET OF 120 MANUFACTURING COMPANIES
With Sales or Total Assets over $5 million
(in millions of dollars)

ASSETS:	1943	1944	Change 1943-44	% Distribution 1944
Cash	$546	$564	+$18	18%
Govt. Securities	392	453	+61	15%
Receivables, net	588	586	—2	19%
Inventories*	1,440	1,473	+33	48%
TOTAL CURRENT ASSETS	2,966	3,076	+110	100%
Plant and Equipment	2,401	2,421	+21	
Less Depreciation				
Net Property	1,199	1,158	—41	
Other assets	353	366	+13	
TOTAL ASSETS	4,518	4,600	+82	
LIABILITIES:				
Notes payable	123	192	+69	15%
A/c payable, accruals, etc.*	500	470	—30	36%
Reserve for taxes	622	618	—4	49%
TOTAL CURRENT LIABILITIES	1,245	1,280	+35	100%
Deferred Liabilities	331	315	—16	
Reserves	181	198	+17	
Capital and Surplus	2,761	2,807	+46	
TOTAL LIABILITIES	4,518	4,600	+82	
WORKING CAPITAL	1,721	1,796	+75	
CURRENT RATO	2.38	2.40	+0.02	

Source: National City Bank of New York.
*Includes advances on Government contracts.

UNDERWOOD ELLIOT FISHER

ASSETS	Dec. 31 1943 ($ million)	Dec. 31 1944 ($ million)	Change
Cash	10.027	13.322	+3.295
Receivables, net	9.559	3.312	—6.247
Inventories, net	8.832	6.368	—2.464
U. S. Gov't contracts	0.269	——	—0.269
TOTAL CURRENT ASSETS	28.687	23.002	—5.685
Plant and equipment	14.271	14.619	+0.348
Less depreciation	9.772	10.254	+0.482
Net property	4.499	4.365	—0.134
Other assets	1.266	4.628	+3.362
TOTAL ASSETS	34.452	31.995	—2.457
LIABILITIES			
Accts. payable and accruals	3.290	1.348	—1.942
Reserve for taxes	3.265	2.684	—0.581
Other current liabilities	0.161	0.163	+0.002
TOTAL CURRENT LIABILITIES	6.716	4.195	—2.521
Deferred liabilities	0.075	0.076	+0.001
Reserves	5.475	4.295	—1.180
Capital	7.343	7.343	——
Surplus	14.843	16.086	+1.243
TOTAL LIABILITIES	34.452	31.995	—2.457
WORKING CAPITAL	22.171	18.807	—3.364
Current Ratio	4.2	5.5	+1.3

CONSOLIDATED VULTEE

ASSETS	Nov. 30 1943 ($ million)	Nov. 30 1944 ($ million)	Change
Cash	66.724	56.938	—9.786
U. S. Treas. ctfs.	13.000	——	—13.000
Receivables, net	84.767	69.859	—14.908
Inventories, net	158.281	129.503	—28.778
Fixed fee contracts	46.468	49.061	+2.593
TOTAL CURRENT ASSETS	369.240	305.361	—63.879
Plant and equipment	25.299	28.945	+3.646
Less depreciation	9.230	13.182	+3.952
Net property	16.069	15.763	—0.306
Other assets	8.222	5.802	—2.420
TOTAL ASSETS	393.531	326.926	—66.605
LIABILITIES			
V Loan payable	10.000	——	—10.000
Accts. payable and accruals	155.640	174.527	+18.887
Reserve for taxes	79.105	54.446	—24.659
Reserve for renegotiation	94.743	36.709	—58.034
TOTAL CURRENT LIABILITIES	339.488	265.682	—73.806
Short term debt	2.143	——	—2.143
Reserves	13.100	19.600	+6.500
Capital	5.960	5.360	—0.600
Surplus	32.840	36.284	+3.444
TOTAL LIABILITIES	393.351	326.926	—66.605
WORKING CAPITAL	29.752	39.679	+9.927
Current Ratio	1.1	1.1	——

bilities shrank even more, resulting in an almost 30% gain in net working capital. The current ratio, on the other hand, remained unchanged at the low figure of 1.1, indicative of the continued financial strain imposed by capacity operations. This strain finds expression elsewhere in the balance sheet. Cash holdings barely exceed tax reserves, requiring reliance on liquidation of receivables or inventories to cover other current liabilities including those for renegotiation. Most likely, resort to the existing $200 million V-credit (not drawn upon at the end of the fiscal year) will intermittently be necessary. Cash holdings, in fact, amount to only 18% of current assets; in contrast, inventories come to fully 42% and receivables to 20%, underscoring the problem that will arise with contract termination. On the other hand, reserves (for postwar readjustment) were increased by about 50% during the past year. The low ratio of net property to total assets (about 5%) emphasizes not only heavy and rapid depreciation and amortization of existing facilities but also relatively small expansion of the companies own productive plant, characteristic of all aircraft companies.

In the case of Goodyear, total assets declined moderately but so did working capital, with the current ratio remaining virtually unchanged. Contrary to most other concerns last year, the balance sheet reflects the very considerable plant expansion that took place to step up output of tires for military needs. This property expansion finds chief reflection in increased notes payable, in lower cash and security holdings and declining "other assets." Tax reserves, too, were notably lower while other reserves and surplus continued to gain. Government advances, on the other hand, bulked less as a financial factor. With quick liquid assets small in relation to current liabilities, the company's dependence on receivables and inventories becomes obvious; the former amount to about 40%, the latter to some 50% of current assets, and cash alone covers only about one-third of current liabilities. Fortunately, there can be little doubt about the liquidity of either receivables or inventories in this particular instance. The former are due almost wholly from the Government, the latter presumably consist mainly of raw

COMMERCIAL SOLVENTS

ASSETS	Dec. 31 1943 ($ million)	Dec. 31 1944 ($ million)	Change
Cash	8.786	7.423	—1.363
U. S. Gov't securities	6.662	3.650	—3.012
Receivables, net	2.747	4.561	+1.814
Inventories, net	3.546	4.013	+0.467
Other current assets	0.041	——	—0.041
TOTAL CURRENT ASSETS	21.782	19.647	—2.135
Plant and equipment	7.152	8.076	+0.924
Less depreciation	2.377	2.948	+0.571
Net property	4.775	5.128	+0.353
Other assets	3.380	3.983	+0.603
TOTAL ASSETS	29.937	28.758	—1.179
LIABILITIES			
Accts. payable and accruals	1.677	1.040	—0.637
Reserve for taxes	4.332	3.116	—1.216
TOTAL CURRENT LIABILITIES	6.009	4.156	—1.853
U. S. contr. adv.	0.267	0.120	—0.147
Reserves	0.390	0.667	+0.277
Capital	6.593	6.593	——
Surplus	16.678	17.222	+0.544
TOTAL LIABILITIES	29.937	28.758	—1.179
WORKING CAPITAL	15.773	15.491	—0.282
Current Ratio	3.6	4.8	+1.2

materials that can be readily processed and sold in war and peace. Liquidity therefore should actually be greater than indicated.

The year-end balance sheet of Underwood Elliot Fisher reveals contraction of both total assets and working capital, yet a noteworthy improvement in the current ratio which advanced from 4.2 to 5.5. The trend towards liquidity was marked, and in fact far more pronounced than disclosed by the comparative data presented. Inventories and receivables, especially the latter, shrank considerably, partly expressing itself in a sizable gain in cash holdings and in equal degree in higher "other assets" comprising mainly Government securities and in lesser degree postwar refund bonds. The former alone more than cover tax reserves; cash holdings are more than three times current liabilities and over 50% of current assets while inventories are barely 25%. It is a sound and extremely liquid balance sheet.

The exhibit of Commercial Solvents shows little change in total assets and working capital (both declined slightly) but the current ratio improved from 3.6 to 4.8. Cash and security holdings were lower, notably the latter, but receivables and inventories rose moderately. Cash alone was almost twice current liabilities at the end of last year. The company during the year undertook moderate plant expansion but after depreciation, net property account was only modestly higher. Government advances on war contracts, never large during the past two years, were further reduced, and reserves and surplus showed moderate increases.

The trend toward liquity is even more pronounced in the case of Owens-Illinois Glass though it is centering in quick liquid assets rather than in terms of a greatly improved current ratio. While total assets declined slightly, working capital rose over one-third with principal gains in cash and marketable securities. The latter alone more than cover current liabilities and considerably exceed tax reserves. Cash and securities together amount to some 66% of current assets, exactly twice as high a ratio as shown in the composite balance sheet initially discussed. Adding to liquidity are lower inventories, amounting to (*Please turn to page 657*)

OWENS-ILLINOIS GLASS

	Dec. 31 1943	Dec. 31 1944	Change
ASSETS	($ million)		
Cash	12.464	15.406	+2.942
Market securities	19.612	25.612	+6.000
Receivables, net	9.712	9.574	—0.138
Inventories, net	13.814	11.137	—2.677
TOTAL CURRENT ASSETS	55.602	61.729	+6.127
Plant and equipment	83.784	75.079	—8.705
Less depreciation	37.943	36.422	—1.521
Net property	45.841	38.657	—7.184
Other assets	10.692	11.018	+0.326
TOTAL ASSETS	112.135	111.404	—0.731
LIABILITIES			
Accts. payable and accruals	7.888	6.639	—1.249
Reserve for taxes	20.181	16.607	—3.574
TOTAL CURRENT LIABILITIES	28.069	23.246	—4.823
Reserves	1.535	2.013	+0.478
Capital	33.265	33.265	——
Surplus	49.266	52.880	+3.614
TOTAL LIABILITIES	112.135	111.404	—0.731
WORKING CAPITAL	27.533	38.483	+10.950
Current Ratio	1.9	2.6	+0.7

WESTINGHOUSE AIRBRAKE

	Dec. 31 1943	Dec. 31 1944	Change
ASSETS	($ million)		
Cash	14.411	17.936	+3.525
Market securities	13.832	16.825	+2.993
Receivables, net	15.163	14.599	—0.564
Inventories, net	15.200	16.578	+1.378
TOTAL CURRENT ASSETS	58.606	65.938	+7.332
Plant and equipment	19.142	19.810	+0.668
Less depreciation	11.896	12.456	+0.056
Net property	7.246	7.354	+0.108
Other assets	10.754	11.316	+0.562
TOTAL ASSETS	76.606	84.608	+8.002
LIABILITIES			
Accts. payable and accruals	4.833	3.975	—0.858
Reserve for taxes	19.351	26.351	+7.000
TOTAL CURRENT LIABILITIES	24.184	30.326	+6.142
Deferred liabilities	0.127	0.081	—0.046
Minority interest	0.002	0.002	——
Reserves	2.790	3.329	+0.539
Capital	34.893	34.893	——
Surplus	14.610	15.977	+1.367
TOTAL LIABILITIES	76.606	84.608	+8.002
WORKING CAPITAL	34.422	35.612	+1.190
Current Ratio	2.4	2.1	—0.3

CONTINENTAL STEEL

	Dec. 31 1943	Dec. 31 1944	Change
ASSETS	($ million)		
Cash	0.878	1.554	+0.676
U. S. Gov't securities	1.356	1.047	—0.309
Receivables, net	0.901	0.863	—0.038
Inventories, net	4.339	4.617	+0.278
TOTAL CURRENT ASSETS	7.474	8.081	+0.607
Plant and equipment	15.780	16.053	+0.273
Less depreciation	8.709	9.066	+0.357
Net property	7.071	6.987	—0.084
Other assets	1.595	0.493	—1.102
TOTAL ASSETS	16.140	15.561	—0.579
LIABILITIES			
Bonds payable	0.200	0.200	——
Accts. payable and accruals	1.088	1.282	+0.194
Reserve for taxes	0.222	0.678	+0.456
TOTAL CURRENT LIABILITIES	1.510	2.160	+0.650
Long term debt	1.000	0.800	—0.200
Reserves	1.061	1.011	—0.050
Capital	6.264	5.276	—0.988
Surplus	6.305	6.314	+0.009
TOTAL LIABILITIES	16.140	15.561	—0.579
WORKING CAPITAL	5.964	5.921	—0.043
Current Ratio	4.9	3.7	—1.2

GOODYEAR

	Dec. 31 1943	Dec. 31 1944	Change
ASSETS	($ million)		
Cash	27.336	16.962	—10.374
Marketable securities	2.259	0.013	—2.246
Receivables, net	70.683	71.949	+1.266
Inventories, net	95.943	90.884	—5.059
TOTAL CURRENT ASSETS	196.221	179.808	—16.413
Plant and equipment	190.630	215.907	+25.277
Less depreciation	122.540	129.717	+7.177
Net property	68.090	86.190	+18.100
Other assets	55.859	45.960	—9.899
TOTAL ASSETS	320.170	311.958	—8.212
LIABILITIES			
Notes payable	1.410	15.000	+13.590
Accts. payable and accruals	28.275	28.500	+0.225
Reserve for taxes	35.010	13.646	—21.364
TOTAL CURRENT LIABILITIES	64.695	57.146	—7.549
Minority Interest	8.987	9.015	+0.028
Gov't contract adv.	53.552	38.045	—15.507
Long term debt	36.090	36.090	——
Reserves	13.213	19.964	+6.751
Capital	72.232	72.082	—0.150
Surplus	71.401	79.616	+8.215
TOTAL LIABILITIES	320.170	311.958	—8.212
WORKING CAPITAL	131.526	122.662	—8.864
Current Ratio	3.0	3.1	+0.1

Happening in Washington

Charles Phelps Cushing Photo

By E. K. T.

STRINGS will be attached to Philippine independence when it comes, as expected, late this year. The certainty that full freedom will give rise to domestic economic and military problems accounts for a noticeable coolness on the part of some Filipino leaders toward a clean political break from the United States. Prospective source of many items critically needed in the United States a reciprocal trade agreement is possible, but the islands have too little to offer to gain benefits comparable with those now enjoyed.

> ***Washington Sees:***
>
> John L. Lewis' mild threat of coal production stoppage although not to be classed with his former thundering ukases to government and the public has served to highlight a situation which has been worrying friends of organized labor and is continuing to cost unions friends they will need more than ever after the war.
>
> The situation in Detroit early this month didn't help. The promise of no strikes during the war has been a flimsy one because there are too many reservations: even the War Labor Board has been unable to hold down stoppages. The 1944 record lists 5,005 walkouts — about twice the number of strikes in any one of the three pre-war years. Involved in last year's production interruptions were two million men, which made a new record since 1941, and they accounted for a loss of 8,230,000 work days.
>
> Congress was in the mood for legislation to give the War Labor Board power to deal with strikes whether of the "wildcat" type or not, but became embroiled in preliminaries, then discussion, of work-or-fight bills and permitted the matter to drag along.
>
> The "labor bloc" is worried that organized labor is speeding down the highway to rigid national controls. The worry is not altogether for the unions; the political fate of many of the solons is tied up in the issue. But the concern is growing and unless the labor policy reverses action is not unlikely.

CENSORSHIP which has withheld from public knowledge many facts pertaining to the war, especially on the home front, is in for a complete overhauling. Director Byron Price would like to have the codes rewritten to square more closely with the fundamental purpose — national security. Some facts on manpower, cutbacks, surplus disposal and reconversion now are held back by reason of censorship provisions and feeling is growing that fuller disclosure is essential to prepare the public, including industry, for what is ahead.

DONALD NELSON will lead a new parade of big businessmen out of government and back into private industry at a time when agencies, notably the War Production Board and the Office of Price Administration, are trying to bring about the reverse of that process. Nelson would have left before if he could do so without being suspected of disappointment at his loss of the WPB chairmanship. He feels sufficient time now has elapsed to make his exit gracefully. For months he's been virtually taskless, considers he's wasting time.

NURSE DRAFT will be voted by Congress but through a bill that will be amended out of its practical usefulness. Its pendency, however, has had the effect of sending thousands of nurses into uniform. The feeling was general that draftees would be taken in as privates whereas commissions are available under existing conditions. The amendments will seek to keep intact hospital nurse training schools, industrial plant clinics and public health staffs, thinning the field of prospective service women.

BY-PRODUCT of the Mexico City conferences will be an influx of laborers to the United States for assignment in areas of serious manpower shortage. First estimate is that 25,000 will come across the border. To these will be added several thousand Jamaicans. Few are industrially trained, most have farming background. But they may release to industry many farmhands whose experience in handling mechanized equipment is expected to make them apt pupils in production technics.

AS WE GO TO PRESS

Any question that might have existed as to post-war role of the aviation industries has been answered by General Arnold's report on the future of planes. After the war the standing army will fly.

Speedy jet-propelled craft will be the core of the new protective force. Orthodox planes have been made obsolete by the discoveries of the past several months. They're too slow; and, ominously, not destructive enough.

Research laboratories of the plane companies should go into action, Arnold suggests. That means but one thing: private industry is expected to handle the job from the drafting table to the delivery field.

Further on that point, General Arnold calls for a strong aviation industry and alert commercial fliers with adequate facilities for training men against the possibility of speedy defense necessities.

President Roosevelt's appearance before congress to deliver his report on the Yalta conference was designed to set at rest reports that his health had suffered as a result of his trip abroad. To that extent it was a success.

F D R's faculty for relaxation, especially on water travels was evident. But rumors of serious illness had pervaded the Capital, the result perhaps of knowledge that one member of the party (Maj. Gen. Edwin Watson) had suffered a heart attack. Whatever else partisans might have differed upon, they agreed his physical condition appeared excellent.

John L. Lewis' notice of miners strike possibility did not disturb Washington officials. They expected the gesture, put it down as just another strategem in his fight to gain a "royalty" on coal production.

Actually, few of the unions taking advantage of the Smith-Connally Act's provisions for a 30-day "cooling off" period actually proceeded with strikes. But they seized the opportunity to dramatize their cause, conceivably sped the machinery of grievance adjustment.

Few realize it, but the 30-day "notice" of intent to lay off unless demands are met is not a new instrument in employer-employee relationships. It has been a part of the Railway Labor Act for many years, in principle if not in precise language.

Confirmation of Henry A. Wallace as Secretary of Commerce has set in motion speculation on whether his duties will be extended by executive order and if so to what extent. Few expect he will exercise only the responsibilities which go with the head of the steamboat inspection service, the patent office and diverse other functions of the office.

Cabinet status returns him to the White House inner circles where for four years, as vice president, he sat with the Presidential advisers in weekly sessions and wielded a more potent influence than was generally realized in forming official policy.

The suggestion that Jesse Jones continue as chief of lending agencies was promptly rejected by the White House. Once highly regarded there, he burned his bridges by giving newspapermen copies of the President's letter to him which frankly admitted the Wallace appointment was a reward for political service.

Government agencies concerned with the subject see no way of absorbing the ten million men now in uniform except by universal shorter work-day. Goods and services now are being produced at the rate of two hundred billion dollars a year even with a large percentage of productive manpower otherwise engaged.

Expansion of the labor force obviously has not accounted for this record achievement. It has come from rise in output per man-hour.

Agreed is the fact that filling the deferred demands for consumer goods will not offset loss of government purchases after the war. Consumers have saved out of current income in the last four years an estimated one hundred billion dollars.

That's only about one year's war expenditure, but dumped into the buyers' market the savings of those years would mean inflation. Government finance experts don't expect that to happen. Fear of another depression hangs over the head of the country and will be a deterrent to wild spending, they are convinced.

High officials of Commerce Department wish the country would stop bemusing itself that foreign trade is the solution to all the economic ills that will beset this nation after the war. In the long run exports are controlled by and follow the pattern of imports. It isn't one-way traffic.

Payment for imports provides the buying power which is essential to foreign buyers if this country's goods are to move into world trade. Fundamentally the level of our domestic business activity determines the volume of dollars available to the outside world for use in our export operations.

War Shipping Administration has been handed one of the war's hot potatoes: how to keep Gen. DeGaulle satisfied with arrivals of civilian goods which, W S A is convinced, France cannot move inland in quantities the government head expects.

At President Roosevelt's suggestion, W S A sent its vice chairman in charge of utilization -- Capt. Granville Conway -- to survey port facilities and transport. He found France with only a fraction of its pre-war docks and rolling stock.

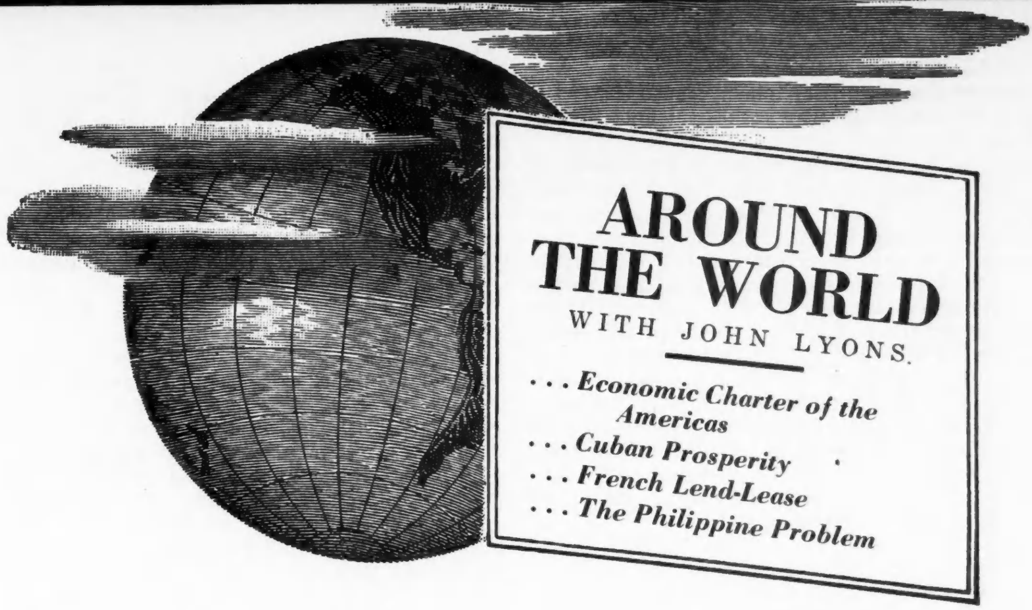
For good cause or not, DeGaulle is the international primma donna of the day. Capt. Conway has been ordered to keep him satisfied, if possible. But the W S A official sees only backing up of commodities on available docks if he provides as many ships as asked to move goods across the Atlantic.

First gesture will be to increase by fifty per cent the number of merchant craft intended for deliveries to France in the early months of this year. About 40 will ply the oceanic lanes. If DeGaulle doesn't move the civilian goods inland, the number will be reduced.

Messages passing between Mexico City and the State Department carried proof that this country's delegation got exactly nowhere on the issue of tariff barrier reduction. But the Latins made no progress on preferential trade suggestions.

Just entering upon industrialization, the sister republics feel they must have protection at least in earlier years; but they would like free markets to the north. The United States lost no trade by reason of Canada's industrialization, merely shifted emphasis to high-grade manufactured products.

Wiser heads in the State Department incline to going along with the Latin American tariff notions rather than quarreling. But they balk at the idea of guaranteed markets here for goods from the countries below.



AROUND THE WORLD

WITH JOHN LYONS

. . . Economic Charter of the Americas
. . . Cuban Prosperity
. . . French Lend-Lease
. . . The Philippine Problem

ONE of the first economic proposals introduced by the United States delegation at the Inter-American Conference held in Mexico City was a draft for "the Economic Charter of the Americas." This rather long document states lofty guiding principles which would lead to economic independence for the New World Republics and permit a continuous rise in the standard of living of their nationals. "The Charter" also pleads for orderly economic transition in the Western Hemisphere from war to peacetime production.

There was no question that "The Economic Charter of the Americas" would be accepted, especially since it puts the heaviest obligations upon the United States. Among these are included "interchange of technicians and industrial technology" and "effort to make capital goods available to each other." At the same time, however, it is questionable whether individual Western Hemisphere countries will in actual practice "refrain from establishment of state enterprises for the conduct of trade" or discourage the establishment of industrial enterprises which "require the granting on a permanent basis of special government assistance in the form of subsidies, restrictive tariffs or any other preferential measures."

At best "the Economic Charter" can be only a guiding measure and as such retard the application of nationalist and protectionist measures that the post-war transition period with its price deflations and economic readjustments is bound to bring forth.

* * *

Cuba was one of the few Latin American countries where the growth of dollar and foreign exchange resources continued at an undiminished rate throughout the whole year 1944. The combined gold holdings of the Cuban Treasury and the dollar notes on the Island (including the notes held by the commercial banks and the public) almost doubled in 1944, reaching some $390 million in November. Including Cuban deposits in the United States, which have probably exceeded $100 million, total Cuban gold and dollar balances must have exceeded $500 million. In Latin America, only those of Argentina and Brazil are larger.

The main reason for the rapid accumulation of gold and dollar balances was another large export balance in 1944 ($217 million), which in turn reflected the high level of exports and the relatively small imports, the latter having been due, of course, to the inability to obtain industrial goods. The Island is at present one of the most prosperous countries in Latin America, although no comparison can be made with the extravagant days of 1919 or 1920, or with the mushroom type of prosperity of Mexico. Nevertheless there are many signs of inflation. The note circulation practically doubled during the last two years, and the cost of living increased almost 40 per cent in the same period. One reason for the price rise has been the relative laxity of controls in comparison with the United States, a trouble which the present Administration is trying to remedy. Prices are most exorbitant in the case of locally produced foodstuffs.

In order to mop up the excess purchasing power at home, the Cuban Government has announced tentative plans for a 300 million dollar (peso) internal loan. A part of the loan would be used to consolidate the internal floating debt and possibly to refund the external debt on a lower coupon basis. Another part would be used to finance a vast post-war public-works construction program and various agricultural diversification schemes.

* * *

Besides the military developments, the resumption of Philippine shipments to the United States are likely to depend upon two factors: (1) the extent of damage to productive facilities, and (2) what the United States will do about the Philippine trade, since that will determine whether the old export industries will be rebuilt or not. Before the war, about $90 million worth of such badly needed commodities as sugar, abaca (manila hemp), copra, coconut oil and tobacco used to be shipped annually to this country.

The extent of damage in the Islands apparently differs according to locality. It has been estimated that the damage to private property is around $200 million and to public property around $400 million. Since the Islands were considered U. S. soil at the

time of the invasion, they have been placed under the protection of American war risk insurance by an act of Congress.

While there is no doubt about the payment of war damages, the important question is what will be done with the funds received in payment for war damages. There is little likelihood that they will be used for the rebuilding of the old export industries, if the economic provisions of the Philippine Independence Act are allowed to stand. These provisions called for a 10½ year period of transition during which Philippine export industries were to readjust themselves from the "free access to American market" basis to a "world market" basis. In other words, after July 4, 1946, when the new Filipino Republic was to be established, all Philippine products shipped to this country, except copra and abaca (hemp), were to pay the full tariff rates, like any other foreign country.

The transition period has almost elapsed. Moreover, it was doubtful at the time of the outbreak of the war whether the chief export industries, sugar, coconut oil, and embroidery, could, because of their high production costs, survive the imposition of full tariff rates. This means that the funds which the U. S. will pay as damage compensation are not likely to stay in the Islands and to aid in their rehabilitation, unless the economic provisions of the Independence Act are modified, so as to give some protection to Philippine products in the American market. The Philippine Rehabilitation Commission, with Senator Tydings of Maryland presiding, is to make recommendations as to the way out of the dilemma. The Filipinos ask for the extension of the "transition period" up to 1965, but whether this would be consistent with their political independence is another matter. The hitch seems to be that if we grant any tariff preferences to the fully independent Philippines, we will have to extend the same favor to Cuba under the 1902 treaty provisions.

* * *

The French Lend-Lease Agreement signed February 28 is an important document, because it established a precedent in dealing with post-war rehabilitation. Its first section, dealing with war-time lend-lease, is similar to other agreements. It calls for the shipment of $1,675 million of goods such as war material, foodstuffs, and raw materials, all of which are needed in the joint war effort. The second or the reciprocal-aid part of the Agreement also follows the usual pattern. It entitles France to compute as reverse-lend-lease (retroactive to D-Day) the use of French railways, ports, warehouses, and hotels. It is said that the value of this reverse lend-lease rendered to our troops has already reached the one-billion dollar level.

The third and the most important part of the French Lend-Lease Agreement provides for our delivery to France of some $900 million of goods from which she is **likely to benefit even in the peace time.** Included are principally capital goods, such as ships and railway and industrial equipment. The deliveries are to be made even after the war ends, but the President has the right to cancel them, should they no longer be in our national interest. France has agreed to pay for this post-war lend-lease in full: 20 per cent in cash upon delivery and the balance in 30 annual payments with interest at 2⅜ per cent a year.

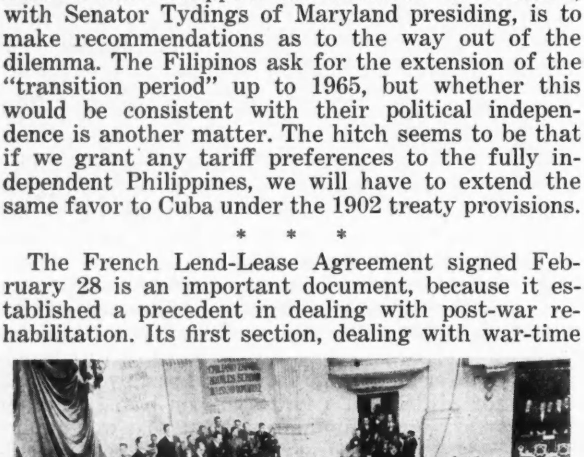
Our asssitance in the post-war rehabilitation is both urgent and inevitable. It is said that the failure to repeal the Johnson Act and to set up such international agencies as were advocated in Bretton Woods was chiefly responsible for the arrangement along the lend-lease pattern. The arrangement with France is yet to be fully appraised and undoubtedly will come up for heated debate in Congress. The arguments against it are that the post-war lend-lease, if extended to a number of countries, may interfere with our own post-war reconversion (capital goods would be diverted abroad) and that it would keep the handling of foreign trade too long in the hands of government agencies and thereby interfere with the return of foreign trade to normal channels.

There is no question about France's ability to pay for her rehabilitation requirements of raw materials and capital goods. The Bank of France statement as of the end of 1944 showed gold holdings equivalent of $1,700 million. In addition, France is said to have $500 million of assets in the U. S., about the same amount ($500 million) in London, and a small amount in Canada — all together almost $3,000 millions. It is estimated that the equivalent of about $90 million of French foreign assets was acquired by the Germans and that the greater part will eventually be recovered.

* * *

In contrast with the economic situation of France, which is serious, that of Italy is down-right desperate. The main reason is, of course, that the exchange of goods between the North and South, always delicately balanced, has been interrupted. The Axis controlled North, with some 20 million people, was richer and supplied about two-thirds of the industrial goods produced in Italy before the war. The liberated central and southern Italy with some 23 million people possessed principally mining and agricultural resources. As regards food, however, it grew only two-thirds of its normal requirements. Most of the balance had to be imported.

The situation in the (*Please turn to page* 657)



International News Photo

This radiophoto shows President Comacho of Mexico as he welcomed delegates to the Inter-American conference in Mexico City

Protecting and Strengthening Your Position In Today's Security Market

BY J. S. WILLIAMS

RECENTLY it has paid well to own stocks and bonds. Almost everyone has a profit in almost everything. Since 1942, investment quality industrial shares have advanced about 62%, rail shares about 110%, and low priced speculative stocks more than 250%. The rise in defaulted rails has been even more spectacular.

Bonds are selling at the highest prices on record and stocks are at levels unapproached since the peak months of the 1937 bull market.

Yet, as compared with money rates, stocks and railroad bonds hardly look high. There is still an abnormal spread between the yields on what are commonly called "non risk securities" (government and highest grade corporation bonds) and risk securities such as speculative railroad bonds and most common stocks. Furthermore, the equation between the supply of funds available for investment and the supply of common stocks and speculative bonds available for purchase still emphatically favors higher prices. The law of supply and demand at this time would seem to infer bullish conclusions.

Having stated the "obvious" side of the present securities market situation, economist-like, I shall now proceed to present the "qualifications." The great curse of the economist is the qualifications which he always must set off against his statements of fundamental principles. It is this necessity of qualifying principles which makes economics often more of an art than a science.

In this case the availability of money for investment does not necessarily coincide anything like exactly with its flow into securities, as compared with conditions in the past. There has been a surplus of funds, at least since the bottom of the 1932-1933 depression. There have been several periods in which these funds have shown a disposition to go to work: (1) in the 1933 rebound following the bank holiday, (2) in 1936 and in 1937, (3) to a limited extent in the summer of 1938, (4) in the first two or three months following the beginning of the war in 1939, and (5) at various times in 1942 up to the present.

The disposition of funds to go to work has been especially evident since the last quarter of 1944. By far, most of the time since 1932, however, owners of liquid funds have been cautious rather than confident.

In other words, the incidence of idle funds on the securities markets has been irregular in the past and probably will continue to be irregular in the future. It cannot be assumed that money always will be as eager for employment as it has been for the past three or four months.

The second qualification is that many of the more important details of our wartime economy will undergo a drastic change with the return of peace. No one knows when peace will break out—whether the war will fade out or flash out, whether or not our two wars will end about simultaneously, and how well prepared psychologically and physically the nation may be for peace when it comes. But everyone does know that wars do not last forever, and that the most impressive features of our present economic and political situation have been superimposed by influences created by the war.

It follows that when peace comes, many things will change. Government expenditures certainly will be curtailed, which means that inflationary processes brought on by deficit financing will be arrested. Many less millions of dollars will be paid out each week in overtime wages. The manufacturing plants of the country, or at least most of them, will have to begin to make new things. Wartime controls over business will be relaxed, if not eliminated. Instead of having one customer (the government), many corporations will begin once more to sell their output in a competitive market. The whole business environment will change; and if the stock market is to remain highly "selective," there will have to be a new selectivity. In short, our investment thinking will have to be stirred out of the inertia generated by years of semi-frozen war conditions.

The Capital Gains Tax

The third qualification surrounds the matter of taxes. At present, due to revenue act provisions which in effect place a 25% tax ceiling on gains derived from capital assets held more than six months, capital gains are in a sheltered tax position. If the stock market continues to go wild, as it has threatened to recently, there is no assurance that the authorities at Washington may not find it prudent to eliminate this tax rate differential, which to them may seem to put speculators in a privileged class.

Such a development, of course, will depend on the way the stock market behaves. If it quiets down and behaves itself, Mr. Eccles' plan for a speculative tax will fall on deaf ears. If it continues to threaten to go through the roof, Congress reluctantly will at least listen.

By watching the behavior of the securities markets and keeping one's ears open, an observer can form a picture of the workings of the mass mind in

financial markets. At present, the masses assume (a) that over a long term, stocks will be forced higher by a shortage of securities and a surplus of funds, but (b) in the meantime, there may be some worrisome recessions caused by conversion difficulties which temporarily may prove deflationary.

Risks, therefore, must be assumed. If profits are not taken, the investor faces the possibility that the decline may be deeper and longer than expected. This will cause him to worry, and worry makes for indecision and often is a cause of poor judgment.

It is important to realize too that the moment securities which have been bought lower are sold, tax liability is incurred and it may not be possible to buy back the stocks and bonds sold at sufficient concessions to justify payment of the taxes. One may lose his position and then find that there is no set-back after all. Actually, there has been only one reaction of as much as 10% in the industrial average since the bull market started in May of 1942.

Since no one in his right mind can pretend to think that he knows exactly what is going to happen in the stock market—especially at this point—a compromise between an all out bullish position and an outright bearish approach probably is the best policy. It should be recognized in all frankness that a compromise will be only half right, and perhaps half wrong. Possibly it is not a bad idea to be satisfied with being half right about one's investments in a period of great risks such as that which we now face.

It may be well to go against mass opinion by having 25% to 50% of one's assets in cash or non-risk securities, while continuing to hold a substantial speculative position with the remaining 50% to 75% of funds.

As most people know, there are a number of common devices aimed to protect profits. Perhaps the three best known ways are (1) the use of stop orders, (2) the buying of puts (privilege to sell stocks at a certain price over a specified period), and (3) the following out of a preconceived intention to take profits at a specific level regardless of how good the stock may look when that level is reached.

None of these devices eliminates the element of judgment and all of them are subject to pitfalls. Most neophytes who employ them, it should be recognized, acquire some costly wisdom in their application.

Something About Stop Orders

Many investors have the erroneous idea that an order placed to sell 100 shares of U. S. Steel at "60 stop," placed when the stock is selling at 62, will be executed at 60 when the stock declines to that price. Actually, the order merely becomes an instruction to the broker to sell at the market as soon as another sale of U. S. Steel takes place at 60 or below. It may be executed at any reasonable price near 60.

A classic example of what can happen (theoretically) occurred in Warner Brothers Pictures in the 1929 break. The stock was selling above 50 and quickly declined to about 48 when numerous stop orders became market orders without any buyers. The next sale was at 12—at which any uncancelled stops were executed. It is exceedingly doubtful whether anything like this could happen in the stock market as it is now regulated, but it is entirely possible for stop orders to sell to be executed several points below the limit.

One way to get around a situation like this would be to place an order reading something like this, "sell 100 shares of U. S. Steel at 60 stop, limit 59½". This would give the broker instructions not to sell the stock unless he could get 59½ or better.

Movable Stops

Some traders follow a policy of placing what are called "movable stops." To illustrate, one may have bought 100 shares of Delaware & Hudson recently at 32, at the same time placing an order to sell 100 shares at "30 stop." When the stock advanced to 34, the stop was moved up to 32. When it advanced to 36, it was moved up to 34. When it reached 38, it was moved up to 36, at 40 to 38, at 42 to 40, at 44 to 42, and at 46 to 44. Finally, the stock reacted more than two points, and the 44 stop was "caught" with the trader "stopped out" at 43⅞.

The trouble with this kind of an application of stop orders is that it does not work well unless the particular issue held follows consistent market habits. The same kind of a procedure in Great Northern Railway preferred recently, for instance, would have caused the investor to lose his position in the midst of a very satisfactory upward movement. Of course, one could make the spread between the market price and the stop price more than two points—as he probably would do in issues with thin markets.

There is a great difference of opinion among traders about stop orders. Like everything else in the market, they are successful if skillfully employed, but there is a vague line of demarkation between genuine skill and fool luck, a line which this writer never has been able to locate.

The Employment of Puts—Stated in the most simple language, a put is a written contract, usually guaranteed by a Stock Exchange house, to buy a security at a specific price for a specific period. It is an "insurance policy" against a decline in price, which one buys from a dealer skilled in the appraisal of risks. A call, of course, is the exact opposite of a put, being a privilege to buy a security at a stated price over a stated period. A straddle is a combination of the right to buy with the right to sell in a single contract. The experience of writers of puts and calls is that normally about 20% to 22% of the "paper" is executed. When one buys a put or a call, therefore, the chances are about four to one that the seller has employed better judgment than the buyer.

Puts are not available in all securities, and the cost as well as the life of the put varies. The buyer of the put should not deceive himself into thinking (as some do) that he can eliminate the regular selling commissions. When he executes his put, he has to pay the stock broker a regular selling commission just as he would if he were not employing option paper. Usually a put will be highly profitable only in a very weak market.

Preconceived Objectives: Some of the most successful traders buy a stock with a preconceived objective in mind, and (*Please turn to page* 647)

1945 SPECIAL

Re-Appraisals of Earnings and Dividend Forecasts

PART IV

Prospect and Ratings for Steels, Metals, Motors and Accessories

To maintain a satisfactory dependable income from security investments and to protect — if not enhance — capital values in the face of constantly changing conditions has always been a primary investment consideration. In this era of rapid and frequently profound shifts in outlook — with often incisive repercussions on investments — the need for watchfulness hardly requires emphasis. More than ever, investors must be alert, must keep posted on trends and developments to guard against risks and take advantage of opportunities. Methodical review and judicious stock-taking is indispensable for investment success.

Equity values are never static. Even under normal conditions, changing circumstances can affect the investment status of securities in an entire industry. It is doubly true today as we head into the decisive phase of the war in Europe and approach the drastic economic changes that will inevitably follow the war's end. To keep informed and prepared against contingencies has always paid off. It will be no less so in the period of uncertainty which will mark our final passage through war to peace.

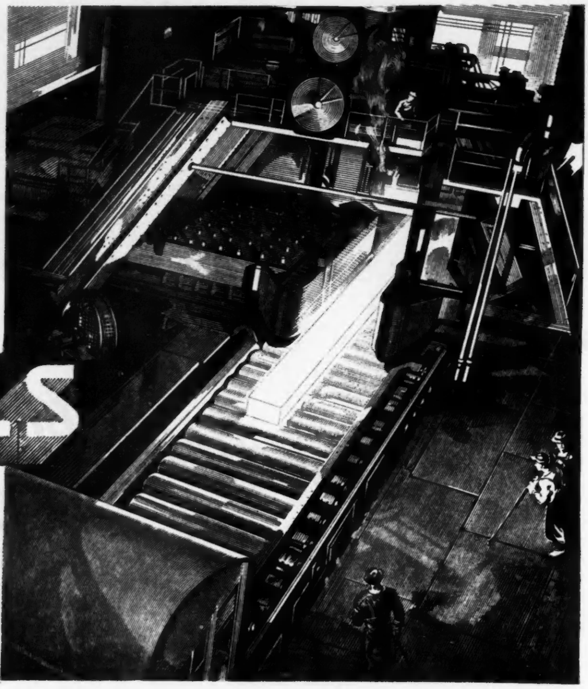
It is to serve this need for watchfulness that the Magazine of Wall Street presents its Security Re-Appraisals and Dividend Forecasts at six months' intervals in addition to its regular coverage of economic and industrial developments of importance to investors. To make this service of maximum usefulness to readers who collectively own shares in many hundreds of corporations, and especially to permit convenient comparative evaluations of holdings, we have endeavored to present as concisely as possible the most pertinent information and ratings on the maximum possible number of companies. Each tabulation is preceded by an amply extensive analysis of the position and prospects of the respective industry. When studied jointly and carefully, we believe that the material offered constitutes the most practical and useful "bird's-eye" view that can be devised.

The key to our ratings of investment quality and current earnings trend of the individual stocks — the last column in the tables, preceding comment — is as follows: A+, Top Quality; A, High Grade; B, Good; B —, Medium; C+, Fair; C, Marginal; while the accompanying numerals indicate current earnings trend thus: 1 — Upward; 2 — Steady; 3 — Downward. For example, A1 denotes a stock of High Grade investment quality with an Upward current earnings trend.

Stocks marked with a W in the tabulations are recommended for income return. Issues regarded as having above average appreciation potentials are denoted by the letter X. Purchases for appreciation should, of course, be timed with the trend and investment advice regularly offered in the A. T. Miller market analysis in every issue of this publication.

Prospects for STEELS

BY H. F. TRAVIS



A Steel Rolling Mill *Line drawing by Jones & Laughlin Steel Corp.*

WHAT lies ahead for steel is certainly a vital question. It concerns not only the half million people employed by the steel industry, or the even larger number who make up the army of holders of steel company stocks. In more or less degree, it has a bearing on the welfare of the entire nation, for steel — most vital industrial raw material in war and peace — still is prop and pillar of our modern civilization despite the emergence of numerous competitive materials.

It has never been an easy task to predict the future of the steel industry even on a relatively short-term basis. Today the problem is further complicated because there are no authoritative answers to many questions which intimately concern the future not only of steel but of virtually all industries. As conditions stand, the steel industry can influence its future only to a limited degree. It has little to say in such vital matters as tax policies, and has virtually no freedom of action in the field of wages, and for some time to come, probably of prices as well. This of course also applies to other industries but with the steel industry, it bulks particularly large in relative importance.

There are other uncertainties, applying to the industry specifically. Perhaps the leading one is the question of excess capacity. Others have to do with the industry's competitive character, the future trend of cost factors and the prospective status of competitive new materials. None of these, it seems, is taken lightly by the stock market which so far has been valuing peace-time prospects of the steel industry quite modestly. Steel stocks, in fact, have been classed as war stocks and behaved accordingly with the result that the group, as expressed by our group index, is currently selling some 45% below the 1937 high whereas our broad Combined Average has reached a point only about 4% below that peak. Thus few groups have outdone the steels in backwardness which, incidentally, is increasingly questioned both as to reasonableness and to validity of the fundamental premise back of it.

Let's see whether we can rationalize the outlook picture. It must be admitted that the first three problems or uncertainties cited above revolve around volume, that is they are solvable when enough steel is wanted to require a high rate of production by the industry. The costs of maintaining large plants and the temptation to cut prices is naturally taken care of when volume is heavy. Wage increases, too, can be mitigated when there is opportunity for using labor efficiently in large scale production. The major question, then, simply boils down to volume prospects; the latter in turn depend largely on the vitality of our postwar economy as a whole.

Today, America's steel furnaces can produce approximately 94 million tons of steel ingots a year, 90% more than the maximum output during the first World War and 55% in excess of 1929 production, the best peace-time year for the industry. Blast furnace capacity for producing pig iron and ferro alloys is rated at 68.4 million tons annually. The industry's war-time expansion program, adding over 12 million tons both to annual blast furnace and steel making capacity, ranks among the greatest industrial construction undertakings of all time. In little more than four years, the equivalent of a steel industry four-fifths as large as the entire British steel industry was built in this country. Steel companies by the end of this year will have spent a total of more than $1.31 billion of their own funds to expand and modernize plants and properties for wartime production. This is over and above the nearly $1.10 billion of Government funds spent for steel plant expansion during the same period. Total outpays for expanding the industry's facilities thus add up to over $2.4 billion, with the industry matching the Government dollar for dollar.

The big question is: Will postwar demand for

POSITION OF LEADING STEEL AND IRON STOCKS

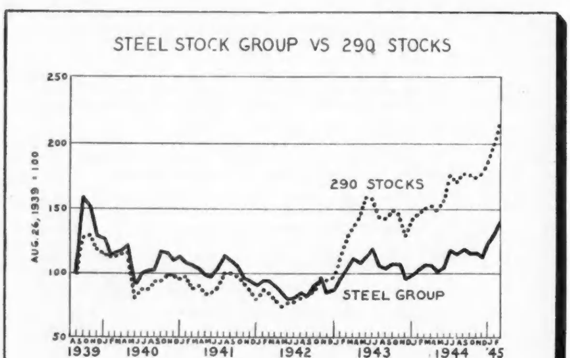
	Book Value per Share	1936-39 Avge. Net per Share	1943 Net per Share	1944 Net per Share	1936-39 Avge. Div. per Share	1944 Div. per Share	Price Earnings Ratio	Investment Rating	COMMENT
xAcme Steel	51.01	4.83			2.94	3.50	12.4	B3	Compact, efficient strip steel maker with better than average long term prospects. 1945 outlook good; dividends should be maintained.
xAllegheny Ludlum Steel	24.67	1.18	6.08	5.82	0.94	2.00	12.5	B3	Concentrates on alloy and special steels wherein long-term growth prospects. Nearby earnings outlook satisfactory. Dividend secure.
xAmer. Rolling Mill	34.20	1.23	2.96	2.70	0.99	0.80	18.0	C+3	A leading sheet metal maker, well entrenched in consumer durable goods industries. Near term prospects good. 80c dividend amply earned.
Bethlehem Steel	150.59	3.76	1.42	1.06	2.00	6.00	7.5	C+2	Declining volume likely as shipbuilding lessens. Profit margins squeezed but dividend fairly safe. Postwar potentials good after hard transition.
Byers, A. M.	39.49	def 1.79	8.57	9.93	None	0.50	10.8	C+3	Largest domestic producer of wrought iron. Presently sales, earnings downtending making additional common dividends unlikely. Postwar position uncertain.
Colorado Fuel and Iron	50.19	0.98	2.30 Se	1.87 Se	0.31	1.00	9.7	C+2	Leading producer of rails, R.R. specialties and wire products. Medium term outlook favors continued dividend. Postwar prospects fairly good.
Continental Steel	62.81	3.78	3.46	2.54	1.57	2.00	13.6	C+3	Smaller concern serving farm areas, with wire specialties and galvanized sheets. Dividends assured by nearby outlook. Postwar prospects good.
xCrucible Steel	97.83	0.67	7.48	5.23	None	3.00	8.7	C+2	Leading maker of high-speed and tool steel. Strongly financed, and with large volume war sales. Dividend maintenance likely. Promising outlook.
Granite City Steel	34.68	0.36	1.45	1.50 E	0.59	0.52½	11.2	C+2	Specializes in flat-rolled steels. Diversified outlets enhance postwar outlook. Facilities expanded. Near-term earnings, dividends fairly stable.
wInland Steel	75.22	6.82	6.61	6.28	4.00	4.50	13.7	B3	Integrated low-cost producer of light steel products. Favorable postwar potentials offset current earnings dip. Some dividend reduction possible.
Interlake Iron	24.29	0.18	0.55	0.53	0.16	0.35	20.3	C+2	Largest merchant iron producer. Continued moderate earnings, dividends indicated over medium term. Peace time prospects unimpressive. Past record drab.
Jones & Laughlin Steel	92.17	def 4.39(a)	4.11	2.86	None	2.00	11.0	C+3	Well integrated, fourth largest steel maker. Price-cost squeeze reducing current earnings closer to dividend rate. Near postwar prospects satisfactory.
Keystone Steel & Wire	15.29	1.43	1.44 Je	1.94 Je	0.88	1.20	12.3	C+2	Non-integrated producer of wire, wire products. Simple capitalization, sound finances. Dividend outlook and long range prospects satisfactory.
wNational Steel	76.54	5.79	5.30	4.87	2.43	3.00	14.7	B2	Integrated, fifth largest steel maker, concentrating on light steels. Good prewar record and postwar outlook strengthen merit of common.
Republic Steel	41.44	0.85	1.77	1.44	None	1.00	15.8	C+3	Third largest steel producer, well integrated. Competitive position strengthened by plant expansion. Earnings trend down. Postwar outlook fair.
xRustless Iron & Steel	10.46	0.58	2.32	1.88	0.06	0.75	10.4	C+3	Specializes in stainless steels, with strong long-term growth prospects. Low operating costs. Near-term earnings outlook good; dividend should hold.
Sharon Steel	32.41	1.13	1.81	1.97	0.56	1.00	11.0	C+3	Non-integrated maker of strip steels. Widely diversified outlets in consumer durable goods industries enhance postwar outlook. Dividend safe.
Superior Steel	43.12	3.18	5.06	4.00 E	None	1.20	7.6	C+3	Minor maker of strip steels. Ample war volume sustaining dividend. Peace prospects favored by new processes. Common relatively inactive.
U S Pipe & Foundry	143.71	2.50	2.31	2.23	2.53	1.60	18.4	C+3	Leading maker of cast iron pipe. Near-term outlook unimpressive, perhaps endangering dividend rate. Postwar building boom may improve prospects.
xUnited States Steel	38.59	1.26	4.30	4.03	0.25	4.00	16.1	C+3	Dominant American producer, fully integrated and well diversified. Price-cost squeeze may lower dividend but postwar outlook seems favorable.
xWheeling Steel	95.14	3.15	4.43	4.51	None	1.50	8.5	C+2	Ninth largest steel maker, specializing in light steels. Near-term earnings outlook favors dividend maintenance. Good peacetime prospects.
Woodward Iron	56.75	2.88	3.00	2.46	None	1.50	10.8	C+3	Second largest pig iron producer, mainly serving the South. Dividend seems safe through sales, earnings trend down. Longer term outlook satisfactory.
Youngstown Sheet & Tube	93.68	3.93	4.31	4.45	0.81	2.00	10.8	C+3	Sixth largest steel maker, featuring sheets, pipe and tin plate. Narrowing profit margins may affect dividends moderately. Postwar view good.

(a)—Before merger with Otis Steel. Year Ended: Je—June 30; Se—September 30. E—Estimated.

steel be sufficient to permit steel operations at high enough rates of capacity to make satisfactory profits? Any attempt to answer it must be tackled from two angles, volume and profit margins. Before going into it, it should first be pointed out that effective postwar capacity will be considerably below present rated capacity of 94 million tons. Much of this is obsolete or obsolescent; moreover, part of the war-built new capacity, due to geographical and other reasons, will not be useful after the war. Hence spokesmen for the industry estimate that capacity which the industry will keep in operating condition after the war will approximate 85 million tons. This roughly compares with the already war-inflated 1942 output of 86 million tons and with the peace-time peak production in 1929 of 61.7 million tons, leaving a sizable gap between the latter and expected usable postwar capacity. The gap between usable capacity and expectable market demand, whatever it may actually turn out to be, will bring of course its own series of problems. Conspicuous among them will be the official attitude toward Government-owned facilities for which there is no private buyer.

Although it is next to impossible to estimate with any degree of accuracy the probable postwar demand for steel in its various forms by the consuming industries, the steel industry now recognizes that aggregate demand in the early postwar period should run substantially above prewar levels, some estimates ranging as high as 65 to 70 million tons. This would mean operating at 76% to 82% of economically usable capacity, or considerably above the break-even point. Are such estimates justified?

The answer is that if we are to have a high level of national income, we are also likely to have a high level of steel production. There has always been a certain relationship between the two, therefore if we have the sort of national production and income which many authorities are predicting we can and must have, there is no reason to doubt that the steel companies will be busy. It would seem just as logical to estimate steel production at virtual capacity, as it is to project postwar output of automobiles at the rate of six million cars annually, or an annual building volume of 800,000 to 1,000,000 homes, or a huge highway and construction program costing $13 billions. The deferred demand for a multitude of consumer goods, for farm machinery, for housing, for transportation is real enough as is the prospective export demand which is shaping up in truly impressive fashion. In the aggregate, these sources of demand — in excess of normal expectations — should go far towards compensating for the anticipated sharp drop or complete disappearance in mainly war categories for which there is no peace-time counterpart.



National Income vs. Steel Output

In 1929 when national income came to $88 billion, steel output was over 61 million tons. In 1939, the last peace-time year as far as the steel industry is concerned, national income was $70.6 billion and steel output 52.7 million tons. With an estimated postwar national income of no more than $100 billion (most estimates are higher), steel output should approximate 76 million tons, probably more. If this method of calculation has any merit whatsoever, than it would appear that as far as volume is concerned, the steel industry in the immediate postwar era can look forward to a rate of operations consistently, and considerably, above the break-even point.

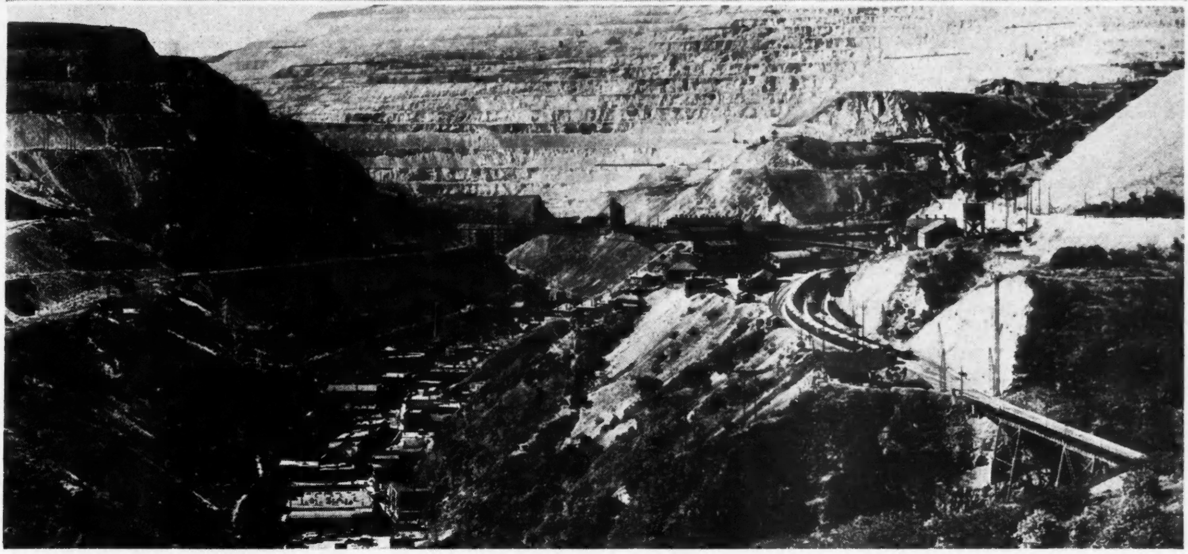
In terms of actual profits, the outlook is necessarily more obscure. The industry is tightly unionized; wage rates have gone up, as has the cost of many materials and services. Productive capacity and therefore innate competitive factors in certain sectors of the industry have also increased. Right now, the industry is undergoing a severe price-cost squeeze which has whittled down last year's return on investment to less than 4.5% compared with 8.3% in 1937. Prices are held down by rigid ceilings for the most part and it is unlikely that the industry will be given unqualified control over prices during the transition period.

However, much of the recent cost increases are attributable to causes which will probably not be fully operative after the war. Experienced labor then should be plentiful, increasing the general efficiency of operations. Heavy over-time payments, one of the main causes of present high operating costs, should no longer be necessary. It is a fair expectation that after the end of the war, a general rise in prices, ranging from 5% to 10%, will be permitted to compensate for cost increases though application of any price boost will naturally depend on the strength of the postwar market. The keen competition characteristic of the industry will certainly prevent any great price inflation. All in all, the price factor and its impact on postwar earning power is difficult to appraise at this time but on basis of past experience one would not be far off the mark by stating that if volume is really good, profits will be good too. That is the way it has always been, and it will probably be so again.

New processes and techniques which the industry has learned during the war will be carried over into the peace and should be helpful in maintaining volume and profits. Technically, the industry today is far more efficient than before the war. New steels, new alloys, new uses have been developed, strengthening the industry's competitive status especially vis-a-vis the lighter metals which lately have received so much popular notice.

With productive capacities increased several fold to meet war demands, (*Please turn to page* 652)

--Another Look at the METALS--



This is the largest open cut copper mine in the world. Height of the mountain above the pit is 6,000 feet.

BY STANLEY DEVLIN

INVESTOR attitude towards non-ferrous metals shares of late has lost some of its earlier apathy, with equities of better situated companies recently advancing to the best levels since 1939, coppers specifically to the best since 1941, but still considerably trailing the general market. Recent market progress, though erratic and at all times selective, was not merely due to the inflation-hedge characteristics of metal shares; it also reflected cumulative improvement in investor appraisals of postwar potentials for the metal industry.

Relatively modest price-earnings ratios for many of the individual stocks, however, point to cross-currents of opinion arising from hesitancy in some quarters to accept optimistic revisions of demand and supply factors to be expected during the transitional period and in the immediate postwar years. There is no room for doubt that at the end of the war, a huge oversupply of certain strategic metals will exist. Memories of the disastrous glut in supplies after the last war are still alive and tend to dampen any undue enthusiasm for metal shares even on the part of the inflation-minded. Moreover, inherent sensitiveness of the industry to cyclical influences always invites caution, so that with postwar conditions as yet indeterminable, the market resistance which metal shares seem to encounter on the upside (though lessened now) is not greatly surprising.

More optimistic observers find many encouraging elements to bolster their appraisal of both current and future conditions affecting the non-ferrous metal industry. Passage of the Surplus Property Act in October 1944 substantially eliminated the threat of a postwar market glutted by uncontrolled surpluses. By the terms of this Act, coordinated with the Stockpiling Act of 1939, all Government-owned strategic metal and scrap supplies are to be added to the military stockpile, subject to release only by order of the President in time of war or national emergency.

In practical operation, this measure would release carefully figured requirements of the Army-Navy Munitions Board, and six-months supplies of non-war essential metals as estimated by the War Production Board; but it would freeze for a period of fifteen months all surpluses reported by any Government agency. Control of these strategic metals is vested in the Treasury Department until January 3, 1946 at which time any surpluses may be sold by the War Property Administration. Congress no doubt can and will extend this termination date to meet conditions prevailing at that time. War-time experience, when strategic metals often were desperately scarce, renders it quite likely that a sizable stockpile will be retained indefinitely as a stand-by measure against unforeseen contingencies.

The stockpile provision, it must be noted, does not take care of the entire surplus problem; for instance it does not involve floating surplus throughout the country, and privately controlled supplies. Yet it should go a long way towards solving a problem which in the past has seriously clouded the outlook picture for the non-ferrous metal industry. It must be realized, of course, that problems both of demand and supply vary importantly with the

POSITION OF LEADING METAL STOCKS

	Book Value per Share	1936-39 Avge. Net per Share	1943 Net per Share	1944 Net per Share	1936-39 Avge. Div. per Share	1944 Div. Paid	Price Earnings Ratio	Invest-ment Rating	COMMENT
Aluminum, Ltd.	120.79	13.91	15.79	14.50 E	1.06	8.00	6.6	B2	Enjoys practical monopoly in Canada with strong earnings record. Liberal dividend payer. Postwar prospects reasonably good but faces sharp volume deflation.
Aluminum Co. of America	34.86	3.99	7.95	7.00 E	0.50	2.00	5.9	B2	World's largest aluminum producer, with good growth record. Faces marked post-war uncertainties, but expect postwar secular growth. Dividends well maintained.
American Metals, Ltd.	46.74	2.22	2.17	180 E	1.25	1.25	16.7	C+3	Has valuable copper interests in Rhodesia and Mexico. Finances strong. Current dividend appears secure. Postwar outlook clouded by price uncertainties.
American Smelt. & Ref'g.	41.58	5.25	3.75	2.50 E	3.59	2.25	19.0	B3	Strong concern with high trade reputation. Good earnings record but longer term prospects uncertain. Dividend appears secure but extra payment doubtful.
American Zinc, Lead & Smelt.	11.74	def 0.33	0.87	0.65 E	None	None	10.3	C3	War-time earnings good though probably past peak. Arrears on preferred stock precludes common dividends. Marginal concern with postwar outlook drab.
xAnaconda Copper	64.50	2.26	3.89	3.75 E	1.19	2.50	9.1	B—3	One of world's two largest producers, with important holdings in Latin America. Current dividend safe despite rising costs.
Cerro de Pasco Copper	51.10	3.15	1.94	2.80 E	4.44	3.00	13.2	C+2	Main properties in Central Peru, with fair prewar earnings records. Current earnings good but because of capital outlays, dividend maintenance not assured.
xClimax Molybdenum	28.61	3.08	3.82	300 E	2.02	2.50	12.9	B3	Near-term earnings and regular dividend should be maintained thouh extra dividend this year doubtful. Widening outlets enhance postwar growth prospects.
Eagle Picher Lead	20.66	0.48	1.27 No	1.35 E	0.32	0.60	12.1	C+3	Net is likely to decline but current dividend appears safe. Cost-price relationships govern longer term outlook.
Howe Sound	43.66	6.29	2.80	1.77	4.71	1.75	23.8	C+3	Labor shortage and rising costs affecting operations but maintenance of reduced 25c quarterly dividend is indicated. Limited ore reserves restricting prospects.
Inspiration Cons. Copper	25.78	0.62	1.39	1.50 E	None	1.00	9.3	C+2	Earnings should continue high for duration and current dividend appears secure. Postwar outlook poor. Production costs tending to magnify swings in profits.
International Nickel	15.36	2.55	2.00	1.70 E	1.89	1.60	19.8	C+2	Earnings, dividends should be maintained over nearer term despite rising costs. Longer term outlook favorable. Postwar prospects clouded by heavy scrap supplies.
wKennecott Copper	38.50	3.11	4.16	3.80 E	2.24	2.50	10.2	B—2	One of two leading copper producers. Enjoys favorable ore and cost position. Near term earnings should be well maintained, and dividend is secure.
Magma Copper	20.37	2.60	1.77	0.80 E	2.50	1.00	23.7	C+3	Sharply rising costs affecting net and little relief likely. Maintenance of dividend possible but not assured. Future somewhat uncertain view one mine operation.
Miami Copper	25.62	0.42	1.02	1.20 E	0.04	0.50	7.5	C+3	1945 earnings should be well maintained and dividend repeated but postwar prospects dubious because of low ore grade and high production costs.
wNew Jersey Zinc	Not Avail.	2.75	3.51	2.70	2.88	3.00	24.4	B2	Strongly entrenched with good earnings record. Earnings, dividend should continue over near-term and postwar prospects favorable owing low production costs.
wPhelps-Dodge	33.32	2.22	2.78	2.50 E	1.41	1.60	11.5	B—2	Strong domestic miners and fabricators, with expanded output. Earnings prospects favorable.
Reynolds Metals	17.72	1.17	3.31	3.30 E	0.79	0.75	5.4	C+1	War sales aluminum profitable but postwar outlook clouded. Current dividends amply earned.
St. Joseph Lead	17.61	2.30	2.57	2.30 E	1.62	2.00	18.9	B—3	Labor shortage, rising costs problems but near earnings outlook reassuring.
U. S. Smelting, Ref. & Mng.	86.48	4.86	2.25	0.80 E	7.62	1.75	79.3	C+3	Operations adversely affected by labor shortages in coal and metal mines while gold output restricted. Finances sound. Postwar outlook satisfactory.
Vanadium Corp.	26.89	1.57	1.52	1.00 E	0.60	0.60	25.2	C+3	Rising costs, heavy depletion, shrinking demand affect outlook. Restricted dividends probably tconinued during 1945.

Year ended: No—November 30. E—Estimated.

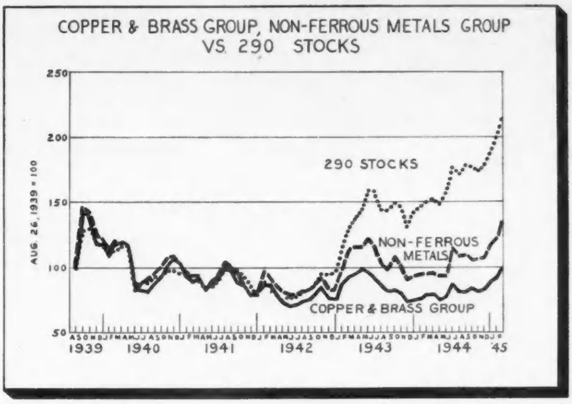
various metals; in addition, many are subject to international influences difficult to foresee. To that extent, uncertainty persists. For instance, we do not know how Government policies as to metal tariffs (especially on lead) will shape up, nor can we gauge the influence on base metal prices of the large tonnages of aluminum that will be available for civilian needs. Nevertheless, stabilizing measures so far undertaken are at least moderately constructive; they should be especially helpful to low-cost producers.

The effort to secure adequate supplies of copper will continue to strain all existing facilities until the end of the European war, and may not slacken greatly until after the defeat of Japan. In this era of highly mechanized warfare, tremendous quantities of the red metal are essential. Current high operations of the copper industry are assisted by Government premiums of five cents a pound to boost production above allocated quotas, resulting in an average price of 13.4 cents on over-all production as compared with the established ceiling price of twelve cents. Thanks to this premium, even high-cost producers have been doing fairly well. Additionally, the mining industry as a whole enjoys an 80% tax ceiling, a definite advantage in these days of extreme EPT rates. On the other hand, labor difficulties have become more acute, and no significant change is likely until the defeat of Germany.

As labor costs are the most important factor in the mining industry, in spite of all attempts to extend mechanization, the burden of increased wage rates has become increasingly serious during labor shortages, when the employment of less competent men is necessary. The release on furlough of several thousand experienced miners in the army for a time furnished some relief, but this practice has now ceased, in fact has been reversed as the military demand has been stepped up. As a result, primary production of domestic copper at the end of 1944 was at the lowest level since the start of the war, with mine employment figures 25% below those of 1943, and production for the year dropping by about 100,000 tons. Total smelter production from domestic and foreign ores, as well as from scrap, fell 13% in 1944, while refinery output amounted to 1,310,000 tons compared with 1,500,000 tons in the previous year. As consumption of new copper plus refined imports in 1944 was 1,587,000 tons, and is likely to be accelerated by the current "all out" war production program, a substantial drain upon the surplus supplies in the Government stockpile seems clearly impending, and will probably continue until VE day. Any offsetting improvement in labor supply appears very unlikely, until peacetime conditions prevail.

Copper Supplies Tight

Whereas the situation in early 1944 gave some hope of copper supplies adequate enough to divert at least a small portion to meet civilian demand, such prospects have now become visionary, except in extreme emergency or indirectly involving the war effort. Such deprivation only serves to swell the already huge backlog of deferred demand of our capital goods industries upon their resumption of civilian production. What proportion of this demand



will benefit the copper industry is of course indeterminable and the basis of conflicting investment appraisal. Prior to the outbreak of war in Europe, peacetime use of copper sharply rose and fell in line with fluctuations in national prosperity. In 1929 the figure was about 1,150,000 tons — in 1932 only 368,000 tons—and in 1939 the amout was 800,000 tons.

None of these figures can serve as a dependable guide to the unpredictable postwar period. That domestic demand may exceed prewar levels for a few years after the end of hostilities is a reasonable guess, with an opulent public reaching for automobiles, new homes and attractive household equipment. If ceiling prices are lifted, competitive factors will largely determine copper prices. The present 4 cent tariff may or may not be altered, dependant upon the outcome of worldwide economic agreements and political decisions.

The bulk of domestic copper production and sales will of course benefit in the first instance the three giants of the industry, Anaconda, Kennecott and Phelps Dodge, and their important fabricating subsidiaries. Export sales, on the other hand may have to be largely surrendered to the lower-cost producers in Latin-America, Canada and South Africa, where tonnage output has practically doubled within the last decade.

Wartime progress of science and metallurgy will intensify competition between the various metals themselves, as well as with many new synthetics, with unpredictable impact upon prices. If these various factors do not depress copper prices below the current level of 12 cents a pound, the industry stands to do fairly well when ultimate relaxation of the tax burden once more permits wider profit margins. Employment problems will certainly ease, although wage scales and pressure of surplus scrap may offset the advantage. On the whole, the longer range outlook for the copper industry appears somewhat better than seemed possible a year ago.

The outlook for the major producers of aluminum, as everybody knows, is much confused by extraordinary expansion many times exceeding prewar domestic demand, and by swelling stockpiles to a point where cutbacks, easing of restrictions on civilian consumption, and even closing of several Government-owned plants had to be resorted to. While increased military demand is absorbing immense quantities of the metal, (*Please turn to page* 650)

General Motors Photo

What's Ahead for... Motors and Accessories

BY GEORGE W. MATHIS

WITH the complex automobile industry providing, in one way or another, livelihood for an estimated one out of seven persons throughout the United States, its progress and hopes assume national importance. Consider also a growing host of investors (a current peak figure of about 425,000 in General Motors alone) and the scope of public interest broadens. Finally, about 26 million car owners worry lest the scrap heap may claim their autos before they can effect replacement.

While statistics can measure progress and form a fairly sound basis for expectancies over the nearer term, beyond that the shifting war outlook and the uncertainties of transitional and postwar conditions confine estimates to a speculative basis only. Since February, 1942, in fact, it might be said that no automobile industry has existed, as since that date production has concentrated almost 100% upon thousands of military items entirely new to the industry and largely made from entirely new manufacturing equipment. Makers of trucks and parts, to be sure, suffered to a relatively minor extent from conversion problems, but the car manufacturers had to prepare for aircraft, tanks, guns, ammunition and amphibious monsters to roll off their assembly lines formerly crowded with sleek pleasure vehicles. Such a radical shift to an armament industry required not only time and heavy costs, but often complete dismantling of huge plants and the removal of most machines, tools and inventory for replacement by totally different production equipment.

The amazing record of the industry in its expanded role to handle about 20% of all war orders awarded by the Government will always furnish a thrilling chapter in the nation's industrial history. Except for the inevitable lag entailed by the need to build new plants and to readjust facilities to furnish the sinews of war, the reputation of the industry to operate profitably has been well sustained during the last three years. Excess profit taxes, renegotiations, and the creation of ample reserves for replacement of equipment and for postwar contingencies have narrowed profit margins far below those of peacetime experience. Huge volume, however, has enabled the payment of satisfactory and in some case liberal dividends. Results have varied greatly, of course, with the numerous component concerns in the industry, but the great majority has done quite well. Relative statistics covering leading companies are presented in the accompanying table, but space forbids further detailed analysis or comment other than by brief reference.

In war as in peace, large volume business naturally is achieved by concerns best qualified to handle it. As huge concentrations of capital, facilities, and skilled personel importantly centered mass production of automobiles in three industrial giants—Ford, General Motors and Chrysler—it has been logical for them to handle an immense volume of war orders, and in view of the accelerated military program they will probably continue operating at near peak capacity until Germany caves in, at least. With reservations, the same thing might be said of other car makers and the many accessory concerns in the field. While in a broad way the entire industry has benefitted by the pressure of war orders, specialization has been an increasing factor, the same as size and facilities of individual concerns. The radical lessons of war impose abrupt changes in the quantity and character of orders, thus handicapping manufacturers with relatively limited possibilities of diversification. Close scrutiny of concerns in this category is therefore essential in studying their postwar outlook, as many which (*Please turn to page* 637)

POSITION OF LEADING AUTOMOBILE, TRUCK AND AUTO ACCESSORIES STOCKS

	Book Value per Share	1936-39 Avge. Net per Share	1943 Net per Share	1944 Net per Share	1936-39 Avge. Div. per Share	1944 Div. Paid	Price Earn-ings Ratio	Invest-ment Rating	COMMENT
xChrysler Corp.	54.43	9.68	5.36	5.50 E	7.25	3.00	18.5	B2	Both sales and net trend upward in 1944. Well sustained war volume plus huge deferred demand in postwar years create bright outlook.
General Motors	25.44	3.93	3.19	3.50 E	3.31	3.00	19.1	B1	World's largest producer. 1944 earnings top previous year. Large volume prospects during war and peace well indicated. Dividend secure.
Graham Paige	1.16	def 0.51	0.30	0.35 E	None	None	20.0	C2	War earnings continue satisfactory but postwar outlook doubtful. Recent change in control may strengthen position.
Hudson Motors	22.24	def 1.23	1.03	1.00 E	0.06	0.40	18.1	C3	1944 net slightly off, but not threatening small 10 cent dividend. Prewar record uninteresting but pent-up post-war demand may improve sales.
Hupp Motors	1.81	def 0.98	0.18	0.20 E	None	None	24.3	C2	Small concern with poor prewar record but earning slight profit in war years. Recent merger result of postwar diversification plans.
Mack Trucks	72.52	1.03	5.14	5.00 E	1.12	3.00	10.5	B2	Large sales of heavy trucks producing net well above $3 dividend. Favorable postwar outlook.
xNash-Kelvinator	11.73	def 0.43(a)	0.96 Se	0.71 Se	0.37	0.50	25.0	C+2	Strongly financed concern with large war orders but shrinking trend for net. Postwar prospects in car and refrigerator fields favorable factor.
Packard Motors	3.87	0.15	0.32	0.30 E	0.17	0.10	22.5	C+2	Sales sharply up but net little improved. Expected large demand for cars, aircraft and marine engines bolsters prospects in war and peace.
Reo Motor	19.46	def 1.01(b)	1.87	3.00 E	None	1.25	7.7	C+2	Both sales and net improved in 1944. Prospects good for duration. Longer range outlook unimpressive in view of poor prewar record.
xStudebaker	16.36	0.47	1.23	1.30 E	None	0.50	17.7	C+2	Volume up in 1944 and net also improved. Bright demand outlook in postwar years should permit further entrench-ment. Present dividend seems secure.
White Motor	47.70	def 1.55	4.94	3.25 E	None	1.25	9.1	B3	Cutbacks affected 1944 sales and net, but current small dividend safe. Strongly financed and good postwar prospects. Poor prewar record.
Willys-Overland	11.67	0.55(b)	1.33 Se	1.64 Se	None	None	10.5	C1	Sales of jeeps bolstering volume and maintaining net. Large capital requirements forbid dividends. Postwar outlook doubtful.
Amer. Bosch	12.47	def 0.73	1.60	2.00 E	None	1.00	9.3	C+1	Expanded war sales creating good earnings, but poor record of prewar years clouds prospects for peacetime prosperity.
Bendix Aviation	31.08	1.18	6.95 Se	7.00 E	1.00	3.00	7.6	B—2	Net well sustained and probably will be for duration. Postwar outlook good. Finances and trade position strong.
Bohn Aluminum	38.86	3.04	6.18	6.25 E	2.31	3.00	9.4	B2	Sales and net earnings expected to remain on satisfac-tory level during war. Bright postwar outlook indicated.
xBorg Warner	26.42	3.29	3.36	3.50 E	1.46	1.60	11.4	B2	Upward trend in volume and net in 1944. Moderate dividend amply earned. Excellent postwar prospects enhanced by wide-product diversification.
wBower Roller Bearing	21.27	3.09	3.61	3.25 E	2.12	2.50	14.0	B2	Large demand for bearings during war and in peace suggests favorable operations for some time ahead. Conservative dividend secure.
xBriggs Mfg.	20.41	2.88	2.69	2.75 E	2.56	200	14.6	C+1	1944 volume above 1943 but net about equal. Strong cash position permitting liberal dividend. Diversification trend bolsters postwar outlook.
wBriggs & Stratton	13.51	3.22	4.08	3.75 E	3.12	2.25	11.6	B—3	War volume well maintained, with renegotiation slightly lowering net. Dividend amply earned. Postwar outlook favorable.
Budd Mfg.	8.87	def 0.54	0.89	1.10 E	None	None	10.4	C1	Earnings slightly up from expanded war orders and prospects for duration good. Poor prewar record dims postwar prospects. No dividends.

a—1937-39 inclusive. b—Predecessor Co. Year ended: Se—September 30. E—Estimatea.

— table continued on following page —

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	Book Value per Share	1936-39 Avge. Net per Share	1943 Net per Share	1944 Net per Share	1936-39 Avge. Div. per Share	1944 Div. Paid	Price Earnings Ratio	Investment Rating	
Budd Wheel	7.97	0.38	1.46	1.45 E	0.10	0.75	9.3	C+1	War volume holding up well and conservative dividend policies building up working capital. Prospects in peace years fairly satisfactory.
Campbell, Wy. & Can.	23.61	1.56	2.82	2.75 E	0.99	1.25	8.6	C+3	Earnings well maintained from large sales of engine castings, permitting moderate dividends with accasional extras. Postwar prospects good.
Clark Equipment	53.32	2.86	9.49	9.00 E	1.48	3.00	6.3	B—2	Volume tapering off somewhat but earnings should remain high; dividend secure. Promising postwar demand trend in established lines.
xCleveland Graphite	24.39	3.73	5.14	5.25 E	2.20	2.00	8.9	B—1	Steady demand for bearings resulting in favorable volume and net. $2 dividend amply earned. Transition problems light. Good prospects.
Collins & Aikman	27.84	4.47	1.87(C)	1.90 E	2.50	1.00	20.2	B—1	War orders plus permitted civilian production keep operations at high level. $1 dividend secure. Postwar prospects with auto trade bright.
wEaton Mfg.	29.95	2.74	5.19	5.10 E	2.09	3.00	10.5	B2	Strongly financed concern with satisfactory war business and favorable outlook during nearer term peace years. Liberal dividend secure.
xElectric Auto Lite	25.30	3.30	4.06	4.00 E	2.30	2.00	12.4	B2	Military orders likely to continue large until end of war with resultant fair profits. Current net well exceeds $2 dividend rate.
Electric Storage Battery	41.93	2.06	2.27	2.25 E	2.31	2.00	21.7	B2	Net earnings continue fairly stable. When war demand for batteries shrinks, civilian markets should absorb slack. Prospects favorable.
Houdaille-Hershey B	9.01	1.48	1.53	1.50 E	1.28	1.00	14.5	C+2	Volume and net well maintained, indicating continued moderate dividend payments. Favorable outlook after war for profitable volume.
Kelsey-Hayes B	16.50	def 0.05	3.27 Ag	3.14Ag	0.38	1.50	7.2	C+2	1944 volume slightly lower but net somewhat improved. As largest auto wheel maker likely to share fully in postwar auto boom. Dividend safe.
Motor Products	22.69	1.56	1.96 Je	2.87 Je	2.06(a)	1.00	8.6	C+3	Cancelled orders lowering volume and net but $1 dividend probably safe. Prewar record erratic. Diversified postwar demand favorable factor.
xMotor Wheel	19.51	1.79	2.21 Je	2.33 Je	1.18	1.20	11.4	C+2	Current volume at high level. Earnings will continue fair for duration. Planned diversification in peacetime may improve prospects.
Raybestos Manhattan	33.70	2.19	2.63	2.67	1.48	2.12½	13.4	B2	Slight increase in 1944 net. Strong finances and good trade position favor outlook for satisfactory postwar operations.
Reynolds Spring	10.33	0.57	1.22 Se	1.12 Se	0.50(b)	1.00	16.7	C+2	Taxes cut final 1944 net, but current dividend probably safe. Heavy postwar demand may offset highly competitive factors.
Spicer Mfg.	54.44	2.86	7.17Ag	6.55Ag	1.88	3.00	8.2	B2	Wartime earnings continue high compared with prewar. Planned new lines improve postwar outlook. Liberal dividend amply earned.
Stewart Warner	18.86	0.85	1.58	1.60 E	0.56	1.00	11.1	C+2	Sales continue at high level with well maintained net. Postwar outlook for large sales of specialties and radios bright. $1 dividend secure.
Thermoid Corp.	4.40	0.19	0.61	1.00 E	None	0.55	11.0	C+2	Ample orders for rubber and asbestos goods maintaining volume and fair level of earnings. 40 cent dividend plus small extra probable.
xThompson Prods.	47.44	2.68	7.21	7.00 E	1.11	2.00	6.6	B—2	Volume and net should continue high in current year. Postwar prospects bright due to large replacement demands.
wTimken Detroit Axle	24.86	2.18	4.47 Je	4.95 Je	1.50	2.00	7.7	B—2	Business benefitted by stepped-up war program. Net shows slight rise. Well diversified production should bolster postwar operations.
Timken Roller Bearing	22.25	2.99	2.66	2.65 E	3.06	2.00	20.6	B2	A leader in the bearings field, with good prewar record well sustained during war years. Well financed and possesses growth potentials.

a—Excl. of 100% stock dividend in Feb. 1936. b—Excl. of 100% stock dividend in June 1936.
Year ended c—March 1, 1944; Je—June 30; Ag—August 31; Se—September 30. E—Estimated.

(*Continued from page* 634)
have greatly prospered from special war business may rapidly revert to an uninteresting status when peace arrives. The war may have improved their finances, but peace may return them to the laggard or marginal class.

In spite of cutbacks in 1944, offsetting new orders under the revised war production program raised volume for the industry to $9,320,000,000, or about 8% above 1943 levels. In addition, eased restrictions permitted sales of 103,000 trucks and $700 million worth of parts to supply urgent civilian requirements in support of the war program. As a stimulant to sustained production in 1945, a backlog of $11,080 million in orders promises to lift output well above the $10 billion mark. As long as the war in Europe continues, capacity production will be the general industry experience, with profit margins restricted by rising costs and EPT. Most of the concerns, however, enjoy a tax ceiling of 80%.

Shortage of skilled manpower will continue to create serious problems, just as it did in the year past, yet operational and earnings result should not suffer too much therefrom. The industry's production record speaks for itself. Among other items, it delivered to the military forces in 1944 the 4,700,000th gun made during the war, $2½ billion worth of military vehicles and parts, and $4,200 million worth of aircraft and parts. Production schedules for 1945 have been sharply raised in many categories, including fighter planes, bombers, diesel engines and anti-aircraft guns. How long this intensified program will continue depends upon the unpredictable course of the war.

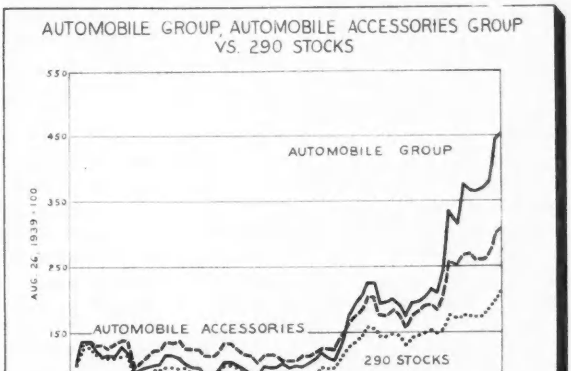
Reconversion Outlook

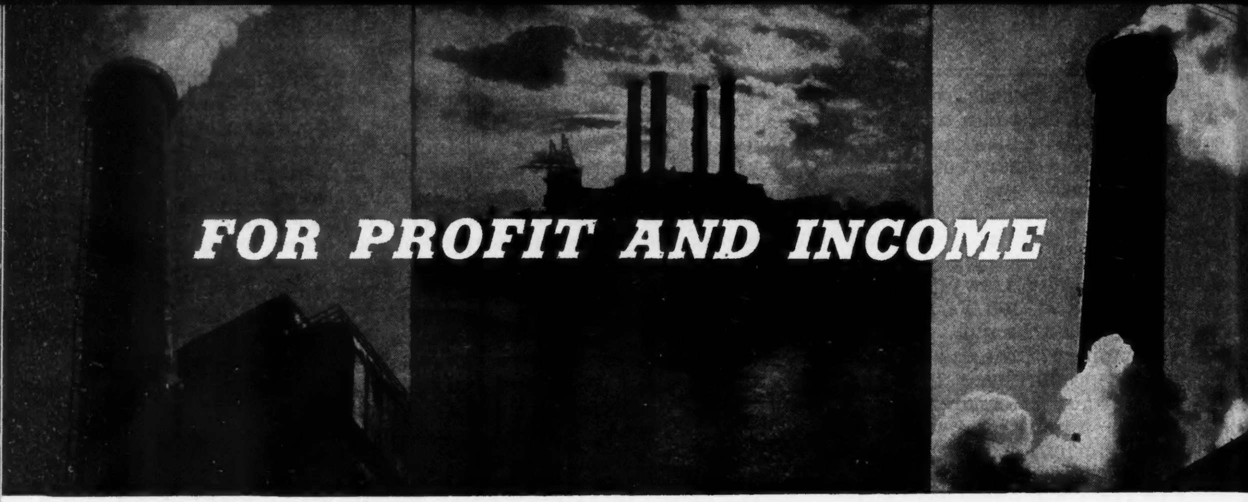
When VE day does arrive, everybody predicts a sharp contraction of war production as a result of substantial cutbacks and cancellations. Just how drastic these measures prove to be must remain a matter of speculation, although cutbacks of at least 25% are generally expected. If the war with Japan continues for considerable length, partial reconversion for the larger automobile manufacturers would provide a highly desirable cushion in undertaking the colossal job of readjustment to normal operations. Pent-up civilian demands would quickly absorb any slack in military orders for the makers of trucks and parts, as replacement pressure is insistent, and reconversion problems will be light for these branches of the industry. In some respects the problems of reconversion for the highly integrated car manufacturers operating dozens of plants, however, will be more staggering than was original conversion to military production.

Enormous floor areas jammed with machinery and inventories of no value in the production of automobiles must be entirely cleared out including over $1½ billion worth of Government owned property. The speed with which this unscrambling process can be accomplished and cash settlements made will be a tremendously important factor. General Motors, for example, is using 130,000 tools in the 99 factories it operates, 61,000 of which belong to the Government. In addition, the company has 17,000 tools in storage plus 3100 more which were disposed of and will require replacement. In tooling up, thousands of special dies, patterns and heavy machines will have to be purchased or hauled out of warehouses for installation in carefully planned locations, while the problem of timing deliveries of new parts from similarly struggling accessory makers will further complicate the picture. If allocations of raw materials are eased, the industry will importantly benefit from ample supplies of rubber, steel, glass and copper, although the coordination of deliveries will involve many a delay. To accomplish this herculean task will require from 4 to 6 months of costly effort before a single car can come off the line.

With good luck, the industry hopes to produce 2 million cars during its first full transition year, raising its sights to 6 million thereafter in meeting the immense pent-up demand from civilians. Fortunately, during the brief interim in 1944 when reconversion planning was all the vogue, practically all the automobile makers got busy and placed enormous orders for materials and machinery to be delivered when conditions permit. Better yet, substantial reserves of cash resources, husbanded from war profits at the expense of dividend distributions, will enable most concerns to weather in good shape the impact of the transition period when drains upon treasuries will be severe, with overhead expenses high and income slim. In studying price-earnings ratios, it should be realized that the varying reserve policies of individual concerns under current abnormal conditions are apt to distort this factor as final net figures have been liberally shaved in some cases.

With profitable operations reasonably assured for the duration of the war and with treasuries well heeled to meet the high costs of reconversion, the automotive industry views the first few postwar years with warranted optimism, as deferred demand of huge proportions is clearly indicated, involving both cars, trucks and replacement parts. In our own country alone, deferred needs will stimulate a volume of business that only several years of peak production can take care of. An estimated 4000 cars per day now travel their last mile to the scrap dump. Average age of all cars in the country has passed past the 7 year mark compared with a postwar average of 5.8 years. By this coming summer, 6½ million former car owners will be car-less. A million former truck owners now have none, (*Please turn to page* 647)





FOR PROFIT AND INCOME

Tighter Margin Controls

The market took in its stride the further tightening of controls on speculative activity in low-priced shares. That was to be expected and caused no particular surprise. This time, however, action emanated from the New York Stock Exchange rather than from official quarters, the idea being not only to cooperate with the Government but also to forestall, if possible, more drastic official moves threatened in the event that the market refuses to "behave." Specifically, the New York Stock Exchange — with the New York Curb Exchange quickly following suit — banned margin accounts in stocks selling at $10 or lower, while margins of at least $10 a share must be put up in cases where the purchase price is between $10 and $20 per share. The rule applies similarly to bonds, stated percentagewise. A further stipulation calls for maintenance of a minimum equity of $1,000 in new margin accounts. Old accounts will not be affected by this requirement, except that no new additional purchases can be made in such accounts other than for cash, unless the equity amounts to $1,000. Maintenance rules on margin accounts also were altered by changing the margin requirement to 25% of market value from the present 30% of the debit balance on long accounts, the effect being to increase such margin requirements by about 11% on securities affected. It is estimated that 30% of the daily transactions on the New York Stock Exchange recently has been in securities selling at $10 or under, and 60% in securities selling at $20 or lower. Yet the bulk of accounts have been on a cash basis which explains the almost negligible impact of the new controls on the market. Should the latter continue to rise, further "anti-speculation" measures must be expected. Having had a foretaste, the market is beginning to wonder, as demonstrated by recent profit taking waves. Reported outlines of a broad Administration attack on inflated capital values are beginning to make an impression.

STOCKS MAKING NEW 1944-45 HIGHS

Abbott Labs.	Inland Steel
Air Reduction	Gulf Oil
Alleg. Ludlum Steel	Jones & Laughlin Steel
Allied Stores	National Tea
Am. Rolling Mills	Safeway Stores
Anaconda	Sharon Steel
Black & Decker	Superior Steel
Bower Roller Bearing	U. S. Steel
Climax Molybdenum	Westinghouse
	Wheeling Steel
	Woolworth

Split-Ups

May Department Stores proposes a two-for-one split of its outstanding common stock and authorization of 250,000 shares of new preferred stock, according to a letter to stockholders. The common on this news jumped seven points and closed over 4 points higher that day. Safeway Stores, too, rose over three points on recent announcement of split-up intentions. May Department Stores is contemplating the expenditure of considerable sums, as opportunity arises, in the development of retail store operations in certain suburban areas, as well as in the modernization and improvement of various existing properties. Some new store sites have already been acquired. Moreover, the retirement of about $4 million of funded debt is presently intended.

Bethlehem Acquires

Bethlehem Steel Co. through a wholly owned subsidiary has reacquired iron ore concessions in two Mexican states. The reacquisitions cover substantially all iron ore included in the concessions formerly owned by the subsidiary, titles to which were ordered forfeited by the Mexican Government five years ago. With domestic high grade ore deposits running low due to enormous war-time exploitation, Bethlehem's move undoubtedly springs from a desire to secure additional nearby ore reserves to provide against any future contingencies. The company, incidentally, did quite well last year when per share earnings rose to $9.93 against $8.58 in 1943, despite a 46% decline in new orders. Backlogs are still enormous, amounting to $1,240 million at the end of the year, of which $906 million were for ship construction and repairs. Respective figures a year ago were $2,109 and $1,760 million, respectively.

That Elusive I. T. & T. Dividend

Rumors that directors of the International Telephone & Telegraph Corp. may soon consider a dividend on the common stock does not appear particularly well founded. Prospective capital requirements seem to make early dividend action unlikely.

Keeping Abreast of Industrial and Company Changes

Westinghouse Buys Elevator Firm

Westinghouse Electric & Manufacturing Co., long a prominent maker of elevators as one of its many diversified activities, has recently acquired the Atlantic Elevator Co. This well-established concern is now engaged almost 100% in war work but in postwar days will complement the already substantial facilities of Westinghouse in the elevator field. The acquisition is based upon an optimistic perspective of heavy demand for elevators during the building boom so confidently predicted with the return of peace.

Airline Fares

There has been some confusion over airline fare cuts and their possible effect on airline earnings. As things now stand, it looks as though United Air Lines would not make its own proposed 10% fare reduction effective until around June when entirely new tariff schedules will be published. American Airlines, however, is making a 6½% fare cut, effective March 10. Several other lines have announced that they will meet reductions between competitive points. The smaller lines serving intermediate points probably will not follow the fare reductions at once. Until all carriers reach an even rate structure, there is likely to be considerable confusion in ticket offices.

Oil Prices

With earnings of many oil companies last year showing excellent gains over 1943, demand for an increase in crude oil prices will probably continue to strike an unsympathetic chord with the O.P.A. Although most concerns have gone on record as favoring such action for the benefit of the smaller independent producers, trade circles are of the opinion that current efforts to obtain such a price adjustment will meet with little success. Increases may be granted in certain areas where high costs have been burdensome. With consumption of both crude and refined products expected to hold at high levels even after Germany's defeat, returns this year should either approximate or better those of 1944.

Property Rights of Stockholders

The Supreme Court of the State of New York, in what is probably the first decision of its kind, has recently upheld an important amendment to the State Corporation Law, defining the rights of preferred stockholders to dividends in arrears. As matters now stand, it becomes possible by vote of two-thirds of the holders of both classes of stock to clear up bothersome back dividends accumulated on the preferred issues by an exchange of stocks or otherwise, regardless of protesting minorities. This clears the way for many a corporation to relieve itself of frequently mountainous barriers to dividend disbursements where the need of building up working capital has deferred payments to the senior issue sometimes for years. Even where the accumulations have been earned but not paid out, the court points out, they are not an obligation of the corporation but merely an intercontractual arrangement subject to revision by the majority of stockholders, as defined in the Law.

General Foods Reports Progress and Plans

A record high level of sales in 1944 features the annual report just released by General Foods Corporation. Volume for the year was $296,518,000 compared with $259,858,000 in the previous year. Net profits, however, gave ground under the impact of taxes and rising costs, the final figure being $2.14 per common share against $2.42 for 1943. Working capital increased during the year by over $5 million to the substantial level of $76,494,000. 13% of sales were to the Government. The company anticipates continued abnormal operations until the readjustment to peace, with the squeeze between higher costs and rigid ceiling prices limiting

DECLINES SHOWN IN RECENT EARNINGS REPORTS

		Latest Period	Year Ago
American Home Products	Year Dec. 31	$5.26	$5.30
Cooper-Bessemer	Year Dec. 31	2.44	3.14
Mead Johnson	Year Dec. 31	10.26	11.77
Pressed Steel Car	Year Dec. 31	2.23	2.59
Safety Car Heat. & Light.	Year Dec. 31	5.81	6.33
Simonds Saw & Steel	Year Dec. 31	2.80	3.25
Victor Chemical Works	Year Dec. 31	1.41	1.53
American Mach. & Met.	Year Dec. 31	1.78	2.39
American Snuff	Year Dec. 31	2.12	2.19
Burroughs Adding Mach.	Year Dec. 31	.50	.74
Coca-Cola	Year Dec. 31	5.72	5.93
Ex-Cello O	Year Nov. 30	5.64	5.84
Houdaille Hershey "B"	Year Dec. 31	1.39	1.53
Monsanto Chemical	Year Dec. 31	3.30	3.56
American Metal, Ltd.	Year Dec. 31	1.68	2.17

production, sales, and profits, in spite of the recent upward trend in volume. Very extensive planning has been undertaken with an eye on postwar business, including research, new products, and blueprinting of procedure for every unit in the organization. While the company is conservative in its predictions, it is confident of satisfactory results.

Another New Material

Dow Chemical Co. has been permitted to disclose a war-born new chemical compound of unusual interest. Styraloy is the name of the newcomer, and it is a cross between wood, metal and rubber. Although the material is light enough to float on water, it can be made into a dentproof floor covering which will wear like iron, and in any color desired. Its utility for many other purposes extends to freeze-proof water pipes, wire insulations, unbreakable cigarette boxes, shotgun shells and doorknobs. The degree of hardness, curiously enough, can be varied down to a softness almost equalling rubber, although vulcanization is not possible.

Firestone Expands Research

Firestone Tire and Rubber Company has just completed a $2,000,000 laboratory, the largest and most advanced of its kind for the development of rubber and plastic products. While presently concentrating on improvement in materials for war use, such as military tires, flak vests, and electronic vulcanization of rubber, scientists in this modern laboratory will focus on civilian requirements when more peaceful conditions prevail. Preliminary studies in this direction suggest the postwar production of such items as plastic clothing, special synthetic rubber products, rubber and plastic films to permit shipment of fruits by air transport, and comfortable rubber mattresses. The construction of the laboratory itself is ultra-modern, embodying movable pre-fabricated steel inner walls, air-conditioning, distilled water, and the most up-to-date technical equipment, including an electronic microscope which can magnify 20,000 times. The company recently announced successful employment of a new electronic rubber curing process 17 times faster than the conventional steam method, saving thousands of man hours.

World's Largest Plane

Several years of secret testing have obscured knowledge of the XB-19A, which is now being made over into a cargo plane capable of carrying 22½ tons of pay load. Larger than the famous B-29's, this huge plane has a wingspan of 212 feet. Its fuselage is 132 feet long and its tail rises 42 feet from the ground. The main wheels are eight feet in diameter, or almost ceiling height in many homes. Four supermotors produce 10,400 horsepower, effecting a speed of over 250 miles per hour, with climbing limits up to 25,000 feet, and yet the plane can take off or land at any ordinary municipal airport.

More New Corporations

A sharp increase in the number of newly incorporated enterprises is reported for New York State during the month of February. Figures totaled 1079 compared with only 771 in the same month last year. Moreover, capitalization totals of $14,260,000 practically doubled the relative amount registered in February, 1944. As 949 of the new concerns will be located in New York City, this already congested metropolis may find a problem in absorbing them.

American Engineering Company Expands

The entire capital stock of Cochrane Corporation, Philadelphia, and of Faraday Electric Corporation, Adrian, Michigan, has been acquired by American Engineering Company, manufacturers of pumps, stokers, and hydraulic hoists, established in 1867. The move will extend the concern's diversified lines into the fields of industrial power equipment, electric signalling devices and electric household appliances.

Opportunity Beckons China Makers

Prewar domination of American markets for chinaware by Japan and other foreign countries, to the extent of supplying about 70% of our normal demand, may be severely adjusted after the long drawn-out years of complete shutout during hostilities. While competitive price factors in the long run may tell the real story, our china manufacturers are entrenching themselves while the going is good, and in postwar years may permanently gain with price cuts warranted by larger volume.

DuPont Expands

Nylon stockings will be plentiful after the war but for the time being, productive capacity for nylon is far from adequate to meet constantly swelling military demands. That's why duPont plans construction of another new plant near Orange, Texas, to boost nylon output for military purposes at the specific request of the Government. Estimated cost of the project is $20 million; the new plant will manufacture chemical ingredients for nylon rather than the finished yarn, and facilities elsewhere will undergo supplementary expansion to handle the new production. At present, all nylon is under Government allocation for the Services.

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		Latest Period	Year Ago
American Stores	Year Dec. 30	$1.40	$1.31
Briggs & Stratton	Year Dec. 31	3.23	2.94
Chrysler	Year Dec. 31	5.70	5.36
Barnsdall Oil	Year Dec. 31	1.65	1.62
General Tire & Rubber	Year Nov. 30	3.62	2.75
McGraw Hill Publish.	Year Dec. 31	2.21	2.04
National Dairy Prod.	Year Dec. 31	2.12	2.08
National Distillers Prod.	Year Dec. 31	4.31	4.14
Pure Oil	Year Dec. 31	3.13	2.50
Studebaker	Year Dec. 31	1.74	1.23
Baldwin Loco. Works	Year Dec. 31	3.81	3.67
Bethlehem Steel	Year Dec. 31	9.93	8.58
Bliss & Laughlin	Year Dec. 31	2.49	2.26
Safeway Stores	Year Dec. 31	4.89	4.68
Simmons Co.	Year Dec. 31	2.56	2.07

Opportunities for Income and Appreciation in Bonds and Preferred Stocks

BY JACKSON D. NORWOOD

MARKET TRENDS: Advances have been further extended in the Dow Jones bond averages since our last review, the largest gain being shown in second grade bonds, namely 1.64 points, while the defaulted rail issues advanced .79 points and the Dow Jones average for 40 bonds advanced .74 points.

Reflecting the improved trend of prices in the U. S. Treasury bond list, City of New York transit unification 3s sold fractionally higher. In the foreign list, Estonia 7s rose 5 points while Australian and Argentine issues reflected demand.

UNITED CORP. $3 PREFERENCE STOCK: Mr. Hickey, President of United Corp., recently told the S.E.C. that the company's offer to exchange three shares of Delaware Power & Light Co. common stock plus $5 in cash for each of its own $3 preference shares outstanding was not only fair, but advantageous to company's senior shareholders. Mr. Hickey estimated a reasonable normal postwar market value of Delaware Power & Light common stock at $26 to $27 per share. Based on a price of $26 it would give a value of about $57 for United preference stock. Furthermore, he forecast the postwar earnings of Delaware Power & Light at from $1.50 to $1.70 a share, with the likelihood that it would be nearer $1.70 per share. This preference stock was recommended in this column at $37.00 per share on July 22, 1944. It still appears to be a good business man's speculation at current market price of $42\frac{7}{8}$. It is callable at $55.00 per share.

MISSOURI KANSAS TEXAS R.R. ADJUSTMENT INTEREST SUIT: Holders of the adjustment bonds of this company seeking interest payments on their holdings are scheduled to be heard by the Circuit Court in St. Louis on April 30th. The action was filed in April, 1944, by a holder of the railroad adjustment mortgage 5s of 1967, on which interest payments have not been made since 1936. The next interest due date is April 1st, when accumulations on the adjustment bonds will aggregate $475 a bond. The petition alleged that the railroad directors had acted arbitrarily in failing to pay interest on these obligations, while using revenues to retire other securities. The railroad management contends that payment of adjustment bond interest, although cumulative, is not a fixed charge and its payment is discretionary with the Board of Directors. The management further contends that purchase of the senior obligations improves the status of the Adjustment Bondholders. The adjustments mortgage bonds recently sold up to a new high of $85\frac{1}{2}$.

FLINTKOTE COMPANY: This company's directors recently voted to recommend to stockholders at the company's annual meeting in Boston, on March 28th, that an issue of 100,000 shares of $4 cumulative stock be authorized, of which 75,000 shares are presently to be issued. The proceeds would be used to redeem approximately 35,600 shares of $4.50 cumulative preferred stock outstanding and $3,000,000 outstanding 15-year 3% debentures, with some addition to the company's working capital. The action requires amendment to the company's charter and a two-third vote.

ALLIED STORES CORP.: Company recently reported that all of its $4\frac{1}{2}$% debentures, due August 1, 1951, have been redeemed or called by January 31, 1945. To finance the redemption, Allied Stores arranged six year bank loans totaling $4,000,000, borrowing $3,000,000 from the Bankers Trust and $1,000,000 from the Chase National Bank, interest rate on both loans being $1\frac{3}{4}$%.

MARSHALL FIELD & COMPANY: Has filed a registration statement covering the proposed issue for sale of 150,000 shares of its $100 par value cumulative preferred shares. The company is giving holders of its outstanding 6% cumulative preferred shares, and 6% cumulative preferred shares second series, the right to offer them for exchange prior to March 19th for the shares covered by said registration, share for share plus certain cash payment by the company and subject to a dividend adjustment. Shares not subscribed for under the exchange offer will be publicly offered by an underwriting syndicate at a price to be supplied by amendment.

A. G. SPALDING & BROS.: Stockholders have approved an amendment which, in effect, changes the first preferred from no par value to $50 par value and increases the annual dividend rate from $2.00 to $2.25 a share. The stock will be known simply as preferred stock and will be exchangeable for common stock at the rate of one share of preferred for four shares of common. The right of exchange will expire November 1, 1949. Stockholders at the same time voted to reduce the required retirement of preferred from 3,312 shares per year to 1,000 shares annually. The former condition that one-third of the profit must be set aside for the payment of preferred dividends and the retirement of the first preferred before dividends can be paid on common was also set aside. The only condition now required before payment of dividends on the common is retirement of 1,000 shares annually.

ROBERT GAIR CO., INC.: Will redeem on April 1st at $105 and interest all of its outstanding $3,305,300 par amount of 6% income notes to 1972. Noteholders have the right to exchange on or before the close of business on March 26th each $100 principal amount of notes for five shares of preferred stock aggregating $100 par value and five shares of common stock.

Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities;* one request per month.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. If not now a paid subscriber use coupon elsewhere in this issue and send check at same time you transmit your inquiry.

Special rates upon request for those requiring additional service.

Risking Capital to Secure Income

Inquiry Department,
"The Magazine of Wall Street",
90 Broad Street,
New York, N. Y.

Gentlemen:

Although the market has been advancing sharply, I notice that you still advise caution in your Market Outlook.

However, I am still in the position of holding a substantial sum for investment, but as I advised you, I do not want to take any great speculative risk.

Please let me know what you would advise for this purpose.

J. R. K.—Tucson, Ariz.

Replying to your recent letter, the uncertainties of the situation are such that it would be the better part of wisdom to take a conservative course. Wo do not take our subscribers' investment commitments lightly.

Under the circumstances, resulting from world-wide dislocations, many of which are not yet clear, we feel that this market is suited mainly to the speculative operator, and to those who can afford to take considerable risks.

In our opinion, the rise in the stock market has been in a large measure purely technical due to the great distribution of securities among cash buyers so that the floating supply became so small that it lent itself readily to speculative movements.

After having spent some thirty years in the securities market, it is our opinion that it is better to be liquid in a time of uncertainty as the loss of income is more desirable than the loss of capital. Patience is a particularly valuable asset to the security investor. The stock market with its opportunities is always here. The purchases made in the period ahead in anticipation of the great economic developments that lie before us—may many times make up for anything you missed in the last few months.

May we, therefore, suggest that you wait patiently for those recommendations, and you can be sure that we will do our best for you when the time comes. Our record over a period of thirty odd years has been a highly successful one, not only in timing, but in selecting those issues in which the largest profits existed.

I hope that this makes the matter clear to you, and that you will understand that the delay in recommendations was due to our caution in the most critical period of our history.

Sincerely yours,

THE MAGAZINE OF WALL STREET

Sherwin Williams Company

I own some shares of Sherwin Williams and would like to have your comment and opinion on this stock as a long term investment.

—J. P., Little Rock, Ark.

Large Military requirements should sustain nearterm operations, and with considerable expansion in civilian sales indicated after the termination of the European War.

This company should participate in the building boom expected in the post war period and also should benefit from the vast amount of repairs needed for existing buildings, etc.

Earnings for the fiscal year to end August 31, 1945, may compare favorably with the $5.55 a common share of the 1943-44 year. These figures are subject to renegotiation. The $3.00 annual dividend is secure.

This quality issue in the paint industry normally sells at a high price earnings ratio. Expansion into Latin-American markets and the success in developing new products are favorable prospects. At present market price, this equity has semi-investment appeal.

Widow's Savings

My son subscribed to the Magazine of Wall Street before he entered the service and, no doubt, will send for it again when he returns home.

My daughter, a widow, has $2,000 at 2% Bank Interest.

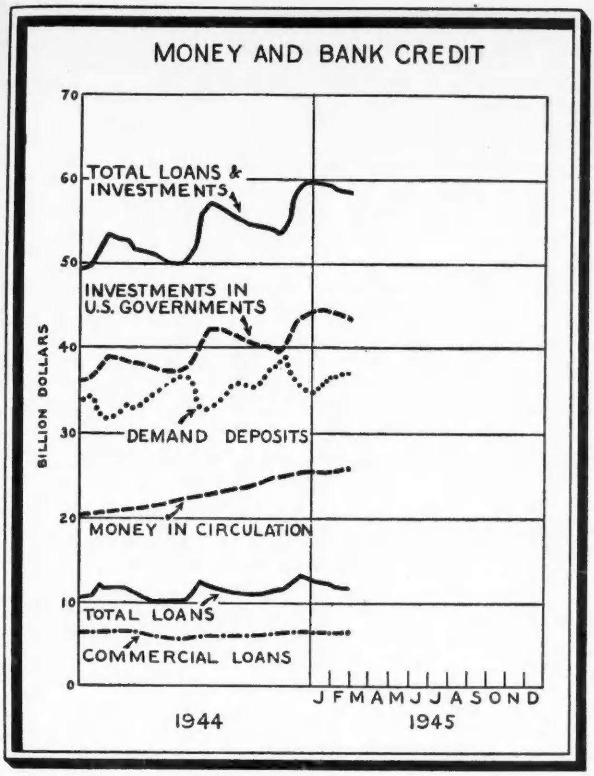
Will you be kind enough to name some good stock investments that will be safe for her future income and will give her interest, higher interest. If you will do this, I will be ever grateful to you.

—M. A. B., Woodhaven, N. Y.

The bond and stock market is currently selling at the highest level in years and as the funds you mentioned seeking investment represent a widow's savings, we believe a conservative policy is best.

There are so many uncertainties prevailing that will affect the market, such as sudden cessation of the European War which would most likely cause a temporary

(*Please turn to page 660*)



CONCLUSION

MONEY AND CREDIT — Seventh War Loan Drive to open May 14 and last seven weeks. Overall goal will be $14 billion, including $7 billion for individuals.

TRADE — Bad weather, accentuating shortages, combines with inflation talk to boost retail sales. Department Store Sales in week ended Feb. 24 were 29% above last year, with increases of 19% for four weeks and 15% for year to date.

INDUSTRY — Corporate profits after taxes last year totaled about same as for 1943. January cash dividends up 1.5%.

COMMODITIES — Expanding money supply, Government support programs and box car shortage lift spot prices for farm staples to new war-time highs; but futures sag under fear of post-war food glut.

The Business Analyst

Melting snow and ice during the past fortnight has facilitated a rise of more than 1% in **Business Activity** to a level fractionally better than a year ago. For the month of February, our weekly index per capita Business Activity averaged 132.8 compared with 132.6 in January and 133.8 for February of last year. Without compensation for population growth, the index advanced in February to 162.7% of the 1935-9 average—a level 1.4 point ahead of January and 0.2 point above February, 1944.

* *

Storm-caused losses in production of **Steel** and **Coal** are irreplaceable. The W. P. B. says that a deficiency of 540,000 tons in steel in steel output during the storm period will cause substantial setbacks in munitions manufacture well into the second quarter. Coal production was reduced about three million tons. At the end of January, industrial and dealer stocks of bituminous coal were 3.9 million tons lower than a year earlier, and amounted to only 26 days' supply,

* *

Under the circumstances, a coal miners' strike this spring would disrupt production, military and civilian. Fully aware of this strategic advantage,

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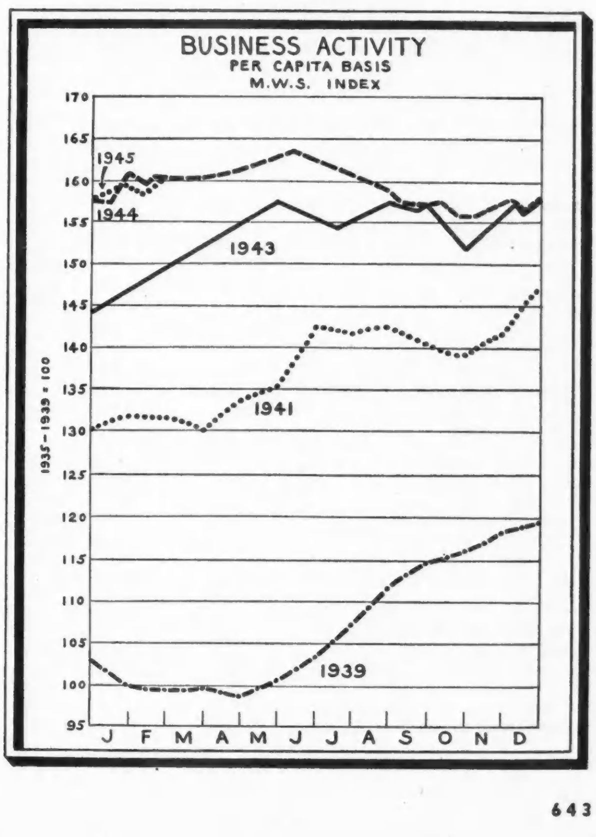


Inflation Factors

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
FEDERAL WAR SPENDING (tf) $b	Feb. 28	1.82	1.86	2.06	0.43
Cumulative from Mid-1940	Feb. 28	259.1	257.3	168.6	14.3
FEDERAL GROSS DEBT—$b	Feb. 28	233.7	233.1	183.1	55.2
MONEY SUPPLY—$b					
Demand Deposits—101 Cities	Feb. 28	37.0	36.6	31.9	24.3
Currency in Circulation	Feb. 28	25.7	25.6	20.8	10.7
BANK DEBITS—13-Week Avge.					
New York City—$b	Feb. 28	7.00	7.04	5.56	3.92
100 Other Cities—$b	Feb. 28	8.24	8.31	7.69	5.57
INCOME PAYMENTS—$b (cd)	Dec.	14.39	13.25	13.56	8.11
Salaries & Wages (cd)	Dec.	9.64	9.51	9.13	5.56
Interest & Dividends (cd)	Dec.	1.83	0.51	1.72	0.55
Farm Marketing Income (ag)	Dec.	1.70	2.19	1.69	1.21
Includ'g Govt. Payments (ag)	Dec.	1.75	2.26	1.74	1.28
CIVILIAN EMPLOYMENT (cb)m	Jan.	50.1	50.6	50.4	50.4
Agricultural Employment (cb)	Jan.	6.7	7.6	6.6	7.7
Employees, Manufacturing (lb)	Jan.	15.5	15.6	16.8	13.6
Employees, Government (lb)	Jan.	5.9	6.1	5.8	4.5
UNEMPLOYMENT (cb) m	Jan.	0.8	0.7	1.1	3.4
FACTORY EMPLOYMENT (lb4)	Jan.	160	161	175	147
Durable Goods	Jan.	215	216	242	175
Non-Durable Goods	Jan.	116	118	122	123
FACTORY PAYROLLS (lb4)	Dec.	331	327	345	198
FACTORY HOURS & WAGES (lb)					
Weekly Hours	Dec.	45.6	45.3	44.8	40.3
Hourly Wage (cents)	Dec.	104.0	103.5	99.5	78.1
Weekly Wage ($)	Dec.	47.45	46.86	44.58	31.79
PRICES—Wholesale (lb2)	Feb. 24	104.8	105.0	103.6	92.2
Retail (cdlb)	Dec.	139.6	139.0	135.5	116.1
COST OF LIVING (lb3)	Jan.	127.1	127.0	124.2	110.2
Food	Jan.	137.3	137.4	136.1	113.1
Clothing	Jan.	143.0	142.8	134.7	113.8
Rent	Jan.	108.3	108.3	108.1	107.8
RETAIL TRADE					
Retail Store Sales (cd) $b	Dec.	7.44	6.21	6.69	4.72
Durable Goods	Dec.	1.00	0.87	0.94	1.14
Non-Durable Goods	Dec.	6.44	5.34	5.75	3.58
Dep't Store Sales (mrb) $b	Jan.	0.45	0.88	0.38	0.40
Chain Store Sales (ca)	Jan.	199	191	188	151
MANUFACTURERS'					
New Orders (cd2)—Total	Dec.	324	316	274	212
Durable Goods	Dec.	468	461	402	265
Non-Durable Goods	Dec.	230	223	192	178
Shipments (cd3)—Total	Dec.	279	274	276	183
Durable Goods	Dec.	392	376	393	220
Non-Durable Goods	Dec.	201	203	196	155
BUSINESS INVENTORIES—$b					
End of Month (cd)—Total	Dec.	26.5	27.6	27.7	26.7
Manufacturers'	Dec.	16.7	17.0	17.7	15.2
Wholesalers'	Dec.	4.0	4.0	4.0	4.6
Retailers'	Dec.	5.8	6.6	6.0	7.2
Dept. Store Stocks (rb2)	Dec.	136	144	143	139

PRESENT POSITION AND OUTLOOK

(Continued from page 643)

Mr. Lewis is making demands for various "fringe" wage increases, including a 10c-a-ton private excise tax on all coal mined, which, according to the mine operators, would amount to an average wage increase of $3.30 a day, equivalent to 65c a ton. Lewis claims the estimates are at least 100% too high. For the record, it may be noted that hourly wages in bituminous coal mining have already gone up 32.7% since January, 1941, and weekly wages 92.7%.

* * *

Public and industrial members of the WLB have recommended to President Roosevelt that the **Little Steel Wage Formula** be retained; but, in the next breath, opened a wide loophole by recommending price-boosting "fringe" wage awards to textile and meatpacking workers. Mr. Lewis naturally was quick to say "me too."

* * *

"Confidential" data submitted to Congress for post-war tax planning point to more deficit spending and a bigger public debt than previously expected. Briefly, here is the blueprint: **Government Expenditures** will continue at the present annual rate of $96 billion until V-E day; a year later they will sag to $75 billion; after two years, $50 billion; a year after V-J day, $35 billion. Post-war "normal" of $25-$30 billion is looked for within two years after the Japs are licked. The pre-war New Deal budget was around $6.5 billion. Thus the outlook for more than token reductions in **Tax Rates** seems rather gloomy for some years to come.

* * *

Meanwhile it is announced that the **Seventh War Loan** drive will start May 14 and last seven weeks, against only four weeks for the Sixth Drive. The goal, $14 billion, will be same as the last; but individuals will be expected to take half — $7 billion, compared with only $5 billion in the Sixth Drive. A new issue bearing 1½% interest will be included — the lowest rate yet offered. Up to present writing, maturities have not yet been revealed.

* * *

Corporate **Earnings** in the aggregate last year, judging from early returns, appear to have been about on a level with 1943. Most concerns earned somewhat less; but the total was raised by a few companies and industries that fared exceptionally well.

* * *

Cash Dividends paid during January amounted to $286 million — 1.5% ahead of the like month last year. The largest increases were in mining. Rail dividends were 4% lower.

PRODUCTION AND TRANSPORTATION

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor
BUSINESS ACTIVITY—1—pc	Feb. 24	160.0	159.0	160.8	141.8
(M. W. S.)—1—np	Feb. 24	171.5	170.5	170.9	146.5
INDUSTRIAL PRODUCTION (rb3)	Jan.	234	232	243	174
Durable Goods, Mfr.	Jan.	344	343	369	215
Non-Durable Goods, Mfr.	Jan.	176	173	176	141
CARLOADINGS—t—Total	Feb. 24	772	784	781	833
Manufactures & Miscellaneous	Feb. 24	382	390	367	379
Mdse. L. C. L.	Feb. 24	101	103	102	156
Coal	Feb. 24	170	167	177	150
Grain	Feb. 24	40	43	48	43
ELEC. POWER Output (K.w.H.)m	Feb. 24	4,474	4,473	4,445	3,269
SOFT COAL, Prod. (st) m	Feb. 24	11.9	11.6	12.6	10.8
Cumulative from Jan. 1	Feb. 24	93.4	81.5	102.5	446
Stocks, End Mo.	Jan.	49.7	57.2	53.6	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	Feb. 24	4.78	4.78	4.42	4.11
Gasoline Stocks	Feb. 24	95.97	94.68	84.39	87.84
Fuel Oil Stocks	Feb. 24	46.72	48.24	51.88	94.13
Heating Oil Stocks	Feb. 24	28.75	29.86	33.89	54.85
LUMBER, Prod. (bd. ft.) m	Feb. 24	517	520	576	632
Stocks, End. Mo. (bd. ft.) b	Jan.	3.8	3.4	3.8	12.6
STEEL INGOT PROD. (st.) m	Jan.	7.17	7.37	7.59	6.96
Cumulative from Jan. 1	Jan.	7.17	89.5	7.59	74.69
ENGINEERING CONSTRUCTION AWARDS (en) $m	Mar. 1	39.0	16.3	39.4	93.5
Cumulative from Jan. 1	Mar. 1	237	198	314	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	Feb. 24	132	146	152	165
Waste Paper Stks., End Mo. (st)t	Jan.	165	186	113	167
Machine Tool Sales—$m	Jan.	59.0	62.5	26.5	80.0
Hosiery Production (pairs)m	Dec.	133	144	151	150
Footwear Production (pairs)m	Dec.	35.8	39.5	38.5	34.8
Hide & Lthr. Stks., End Mo.(hds.)m	Dec.	11.7	11.4	10.1	14.0

PRESENT POSITION AND OUTLOOK

(Continued from page 644)

Bad weather, which hampered production and transport, has had an opposite effect upon trade by accentuating shortages. Thus **Department Store Sales** in the week ended Feb. 24 were 29% above last year, with gains of 19% for four weeks and 15% for the year to date.

* * *

Secretary Morgenthau says he agrees in principle with the idea of slapping a virtually confiscatory tax upon profits realized from the sale of capital assets acquired during the war. Quite apart from the effect upon security prices of such a discouraging **Tax Upon Capital Gains,** it should be evident that, in thus closing the door to opportunity, venture capital would go into hidig for the duration and then migrate to other lands where possible rewards are commensurate with the risks taken by pioneers. Eventually we would all become employees, probably of a **Totalitarian Government.** We doubt that Congress is yet ready to sanction this.

* * *

OPA Chief, Chester Bowles, has a direct and sensible proposal to control speculation in reality. He has asked Congress to authorize ceilings upon commercial rents and real estate prices. He points out that the **Boom In Farm and City Real Estate** is making it difficult to hold down rents. He would also repeal the Bankhead amendment which ties cotton textile prices to parity prices for cotton; and he would like control over barber shop and beauty parlor prices.

ag—Agriculture Dep't. b—Billions. ca—Chain Store Age, 1929-31—100. cb—Census Bureau. cd—Commerce Dep't. cd2—Commerce Dep't., Jan. 1939—100. cd3—Commerce Dep't., 1939—100. cdlb—Commerce Dep't., (1935-9—100) using Labor Bureau and other data. en—Engineering News-Record. 1—Seasonally adjusted index, 1935-9—100. lb—Labor Bureau. lb2—Labor Bureau, 1926—100. lb3—Labor Bureau, 1935-9—100. lb4—Labor Bureau, 1939—100. m—Millions. mpt—At Mills, Publishers & in Transit. mrb—M. W. S., using F. R. B. data. np—Without compensation for population growth. pc—per capita basis. rb2—Federal Reserve Board, adjusted index (end Mo.) 1935-9—100. rb3—Federal Reserve Board, adjusted index, 1935-9—100. st—Short tons. t—Thousands. tf—Treasury & R. F. C.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEX

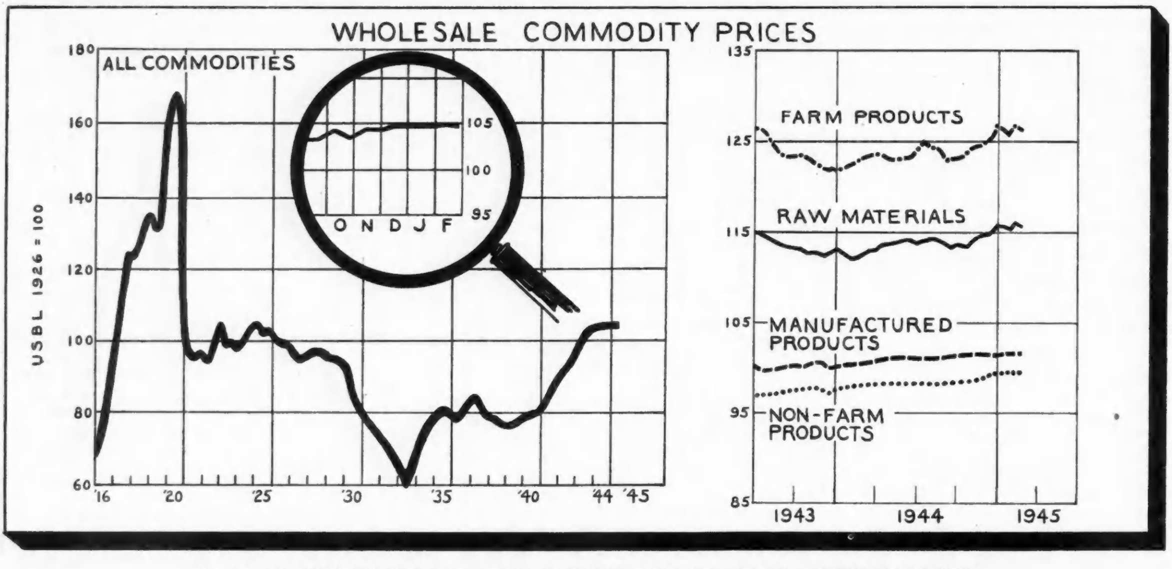
No. of Issues (1925 Close—100)	1944-5 Indexes High	Low	Feb. 24	Mar. 3
290 COMBINED AVERAGE	118.1	79.5	116.8	118.1 G
4 Agricultural Implements	178.9	148.6	176.2	177.5
10 Aircraft (1927 Cl.—100)	175.6	118.5	168.2	175.6 A
6 Air Lines (1934 Cl.—100)	590.6	421.9	589.4	590.6 Z
5 Amusement	85.7	68.2	85.1	85.7 N
13 Automobile Accessories	207.3	119.0	204.6	207.3 Q
12 Automobiles	40.7	17.6	39.5	40.2
3 Baking (1926 Cl.—100)	16.1	12.9	15.5	16.1 F
3 Business Machines	245.2	171.9	245.9G	244.3
2 Bus Lines (1926 Cl.—100)	160.3	101.9	149.9	160.3 T
4 Chemicals	204.1	176.0	202.8	203.7
4 Communication	81.6	57.1	80.0	80.5
13 Construction	49.4	33.1	48.8	48.8
7 Containers	313.3	220.1	313.3 G	313.0
8 Copper and Brass	83.2	62.5	82.1	83.2 C
2 Dairy Products	52.3	38.6	51.6	52.0
5 Department Stores	45.1	28.2	43.7	45.1 P
5 Drugs and Toilet Articles	127.3	81.0	125.0	127.3 P
2 Finance Companies	248.9	216.1	240.3	234.2
7 Food Brands	149.4	123.1	147.7	149.4 Z
2 Food Stores	63.1	46.5	58.3	63.1 K
4 Furniture	89.8	56.4	87.5	88.1
3 Gold Mining	1096.0	879.8	1068.8	1096.0 E

(Nov. 14, 1936, Cl.—100)	High	Low	Feb. 24	Mar. 3
100 HIGH PRICED STOCKS	79.44	62.77	78.84	79.44 G
100 LOW PRICED STOCKS	132.91	75.33	130.58	132.91 G
6 Investment Trusts	50.2	34.0	50.2 G	50.2
3 Liquor (1927 Cl.—100)	443.0	291.4	437.2	434.8
8 Machinery	154.2	105.2	153.0	154.2 G
2 Mail Order	102.6	82.5	102.6 G	102.4
3 Meat Packing	88.2	55.5	84.3	81.3
11 Metals, non-Ferrous	173.3	116.4	173.3 E	172.8
3 Paper	21.4	12.9	21.1	21.4 G
22 Petroleum	165.8	121.3	163.7	165.8 Q
19 Public Utilities	69.6	48.7	67.7	69.6 G
5 Radio (1927 Cl.—100)	31.4	21.5	30.7	30.8
7 Railroad Equipment	78.7	51.5	77.6	78.3
21 Railroads	27.1	14.1	26.3	27.1 G
2 Shipbuilding	107.7	70.3	104.8	106.5
3 Soft Drinks	433.6	305.2	420.2	419.3
12 Steel and Iron	93.1	65.7	91.3	93.1 E
3 Sugar	58.1	41.7	55.9	57.3
2 Sulphur	190.2	160.7	186.0	190.2 A
3 Textiles	65.7	48.0	64.5	65.3
3 Tires and Rubber	37.8	25.4	37.4	37.6
5 Tobacco	76.5	60.2	73.6	76.5 D
2 Variety Stores	265.9	219.7	261.8	265.9 G
21 Unclassified (1943 Cl.—100)	150.0	98.7	148.5	150.0 A

New HIGH since: A—1943; C—1941; D—1940; E—1939; F—1938; G—1937; K—1934; N—1931; P—1930; Q—1929; T—1926.
Z—New all-time HIGH.

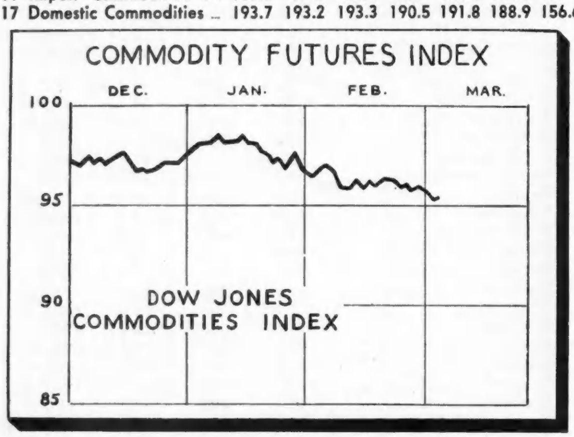
Trend of Commodities

The Agriculture Deartment's spot price index of 7 basic farm products advanced last week to a new war-time high—ostensibly owing to car shortages which are throttling the normal movement of grains to terminal markets, and thereby creating an artificial scarcity. Basically, however, the long and persistent rise in commodities can only be attributed to the inflationary pressure of continuing deficit financing through the banks, with resulting expansion in the money supply, combined with Congressional coddling of the farmer. More than a billion bushels of corn and 200 million bushels of wheat are spoiling in midwestern elevators. Prices for good grade raw cottons are being forced up by a similar artificial shortage arising from Government support and loan programs. Obviously this process of Government accumulation of surplus products can not go on forever. The CCC warns that V-E day will usher in the greatest glut of food in history, and that continued support of commodity prices thereafter can be effected only by acreage restrictions. Other authorities, mindful of the long Pacific war that lies ahead, expect little if any slackening in overall demand for foodstuffs until after V-J day. It is perhaps not sufficiently realized that the current shortage of civilian food supplies is due, not to lease-lend shipments, but mainly to huge purchases by the Armed forces. The fact is that ships are, and will be, lacking until after V-J day to send much food to hungry Europe.



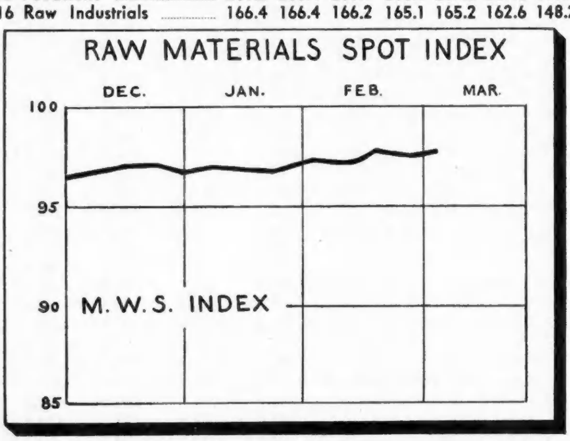
U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices — August 1939, equals 100

	Date Mar 3	2 Wk. Ago	1 Mo. Ago	3 Mo. Ago	6 Mo. Ago	1-Yr. Ago	Dec. 6 1941
28 Basic Commodities	183.6	183.3	183.8	182.7	182.3	180.4	156.9
11 Import Commodities	169.0	169.0	169.0	168.7	168.6	168.0	157.5
17 Domestic Commodities	193.7	193.2	193.3	190.5	191.8	188.9	156.6
7 Domestic Agricultural	226.3	224.8	224.9	220.7	223.4	221.2	163.9
12 Foodstuffs	209.2	208.4	208.7	206.1	207.6	207.0	199.9
16 Raw Industrials	166.4	166.4	166.2	165.1	165.2	162.6	148.2



Average 1924-36 equals 100

	1945	1944	1943	1942	1941	1943	1938	1937
High	98.66	98.13	96.55	88.88	84.60	64.67	54.95	82.44
Low	95.78	92.44	88.45	83.61	55.45	46.50	45.03	52.03



14 Raw Materials, 1923-5 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1945	1944	1943	1942	1921	1939	1938	1937
High	97.7	97.6	96.0	89.1	85.7	78.3	65.4	91.5
Low	96.7	94.9	89.3	86.1	74.3	61.4	57.5	64.7

What's Ahead for Motors and Accessories

(*Continued from page* 637)

and few of the heavy military trucks which will become surplus are adaptable to commercial use. Buses by the hundreds are out of commission for want of parts. Optimists predict postwar export demand of around a million cars per annum. If 12 millions cars were available today, in the middle or lower price range, it is thought that they would be quickly snapped up.

Everything considered, it looks as if a seller's market will keep the automobile industry very busy for at least two to three years after reconversion is completed. While unit sales of automobiles topped 5 million in 1929, 1937 and 1941, a postwar output of 6 million vehicles would certainly be required for several years to catch up with widespread demand. As annual automobile sales normally are closely related to national income, it is of course impossible to look beyond the "catching up" phase in appraising the longer range demand outlook.

Given substantial volume after the transition period, it appears safe to expect that profit margins in the industry may tend to widen with resultant benefit to the stockholders. Wage costs may be a deterrent factor, of course, and governmental price controls may continue to squeeze profits, but with some relief from taxes and discontinuance of abnormal deductions for reserves, postwar profit potentials are excellent. This outlook is enhanced by the prospect of virtual absence of formerly severe competition in a temporary postwar sellers' market; for a while at least, this should benefit especially the smaller and former marginal concerns which should experience no difficulty in selling all they can make. Over the longer range, however, informed opinion does not expect any marked change in the general industry line-up with the "Big Three" — General Motors, Ford and Chrysler—continuing to dominate the automobile picture. Nevertheless, the postwar boom should afford the more aggressive independents such as Studebaker, Packard, Nash-Kelvinator, and excellent chance to become better entrenched in their competitive positions.

Marketwise, response to profitable war-time operations and the rather glowing postwar prospects of the automotive industry has been strongly sustained. In line with recent advancing markets, a number of automotive equities have registered new war-time highs which, compared with their dismal price levels in the early war days, appear considerably inflated. This is true particularly of some of the low-priced motor stocks which—soberly viewed—have become actually high-priced. On the whole, and that goes for the entire automotive group, postwar potentials appear close to adequately discounted at current prices, leaving relatively few stocks in a buying range. Certainly some of them are no longer cheap.

This does not mean that further price advance is precluded. Postwar demand prospects point to new earnings records, accompanied by more liberal dividends, and as these prospects unfold, price performance may well be outstanding for a while. But the sobering aspects of reconversion, for the time being at least, are not to be ignored.

Protecting and Strengthening Your Position In Today's Security Markets

(*Continued from page* 626)

when that objective is reached they sell it regardless of how well it may look at the time.

For instance, one may have bought Paramount Pictures some years ago at 8, with the idea that it was worth about 12. When the stock reached 12, it was sold, even though it may have looked to be in the midst of an upward move. Last summer, not a few people bought Great Northern Railway preferred between 33 and 35 on the theory that the stock was worth 50—and they sold at 50. By following such a practice a trader may feel sure of his profits even though he often loses part of the move.

It always is a good thing for a trader or investor who has a profit to remember what he thought when he bought the stock. This judgment at the time of purchase may be less emotional than when he considers profit-taking.

The problem of taxes on capital

(*Please turn to page* 650)

UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN THE UNITED STATES AND CANADA

CONSOLIDATED BALANCE SHEET, *December 31, 1944*

ASSETS

CURRENT ASSETS		
Cash		$110,984,919.78
United States Treasury Tax Notes		49,770,000.00
Marketable Securities (Cost or Market, whichever lower)		4,118,648.26
Receivables (After Reserve for Doubtful)		
Trade Notes and Accounts	$ 48,946,933.61	
Other Notes and Accounts	5,215,304.88	54,162,238.49
Inventories (Cost or Market, whichever lower)		71,378,437.51
TOTAL CURRENT ASSETS		$290,414,244.04
FIXED ASSETS (Cost or less)		
Land, Buildings, Machinery, and Equipment	$356,172,210.03	
Deduct—Reserves for Depreciation and Amortization	204,651,180.60	151,521,029.43
INVESTMENTS (Cost or less)		
Affiliated Companies in United States and Canada	$ 757,919.61	
Affiliated Companies outside United States and Canada	3,050,932.87	
Foreign Subsidiaries	20,980,893.86	
Other Securities	567,865.60	25,357,611.94
DEFERRED CHARGES		
Prepaid Insurance, Taxes, etc.		1,872,175.73
POSTWAR REFUND OF EXCESS PROFITS TAX		12,013,915.93
(Includes $2,438,679.04 Excess Profits Tax Refund Bonds)		
PATENTS, TRADE-MARKS, AND GOODWILL		1.00
		$481,178,978.07

LIABILITIES

CURRENT LIABILITIES		
Accounts Payable		$ 18,467,344.97
Dividend Payable January 1, 1945		6,958,341.00
Installments due within one year on Sinking Fund Debentures		1,800,000.00
Accrued Liabilities		
Income, Excess Profits, and Other Taxes	$ 95,984,540.00	
Interest	190,000.00	
Other Accrued Liabilities	4,968,878.53	101,143,418.53
TOTAL CURRENT LIABILITIES		$128,369,104.50
ACCRUED PROVISION FOR WARTIME ADJUSTMENTS *(See Note 2)*		14,000,000.00
DEFERRED LIABILITIES UNDER GOVERNMENT CONTRACTS		1,642,062.40
FIFTEEN-YEAR, 2½% SINKING FUND DEBENTURES OF UNION CARBIDE AND CARBON CORPORATION DUE SEPTEMBER 1, 1953, AFTER DEDUCTING SINKING FUND INSTALLMENTS DUE WITHIN ONE YEAR (as above)		21,000,000.00
RESERVE FOR POSTWAR CONTINGENCIES *(See Note 2)*		15,000,000.00
CAPITAL STOCK OF UNION CARBIDE AND CARBON CORPORATION—9,277,788 shares of no par value not including 136,649 shares held by the Corporation	$192,879,842.43	
EARNED SURPLUS	108,287,968.74	301,167,811.17
		$481,178,978.07

NOTES RELATING TO FINANCIAL STATEMENTS

1—The principles used in preparing the accompanying consolidated statements for the year 1944 are as follows:

All subsidiaries that are one hundred per cent owned, and operate in the United States and Canada, are consolidated.

Current assets, deferred charges, current liabilities, and earnings of Canadian subsidiaries consolidated have been converted at the official rate of exchange. Other assets and liabilities of Canadian subsidiaries consolidated were converted at the prevailing rate at time of acquisition or assumption.

Foreign subsidiaries, all one hundred per cent owned, are shown as investments. Only that part of the income of foreign subsidiaries that was received during the year as dividends is included in income. Unaudited reports covering less than a full year indicate that the income of companies paying such dividends will exceed the amount of dividends paid.

Affiliated companies, less than one hundred per cent but more than fifty per cent owned, are also shown under investments. The equity in the net worth of some of these affiliated companies carried in investments at $3,155,231.17 increased $1,518,836.88 between January 1, 1938 (or date of acquisition, whichever is later), and the date of latest unaudited reports received. Of this increase, $135,599.36 is applicable to the current period. No reports are available for 1944 for the remaining affiliated companies carried in investments at $653,621.31. The consolidated income does not include any part of the undistributed net income of affiliated companies.

2—For 1942 and 1943, in the statements submitted to stockholders, the estimated Postwar Refund of Excess Profits Tax was not included in Income but was credited directly to Reserve for Postwar Contingencies.

Subsequent to publication of the Annual Report to Stockholders for the year 1943, the Securities and Exchange Commission required that the estimated Postwar Refund of Excess Profits Tax, amounting to $4,990,235.24, be reflected in Income in the financial statements of this Corporation filed with the Commission for that year.

Accordingly, for the year 1944 the estimated Postwar Refund of Excess Profits Tax is reflected in Income as a deduction from Income and Excess Profits Taxes. Since the Income statement for 1943 is submitted in the current report in a form similar to that originally submitted to stockholders, the tax provisions are not comparable.

In order to reflect the Postwar Refunds of Excess Profits Tax for the years 1942 and 1943 in the financial statements to stockholders, the amount of $6,920,061.72 as income related to prior years is shown in the Income statement after the Net Income for the year 1944. Of this amount, $3,254,686.48 is applicable to 1942 and $3,665,375.24 to 1943.

The Accrued Provision for Wartime Adjustments has been credited with $6,920,061.72 applicable to the years 1942 and 1943, in addition to $6,315,714.28 which has been charged against Income for 1944.

The Reserve for Postwar Contingencies has been reduced by canceling the amount of the Postwar Refund for 1942 and 1943 originally credited to this Reserve.

(Continued on following page)

UNION CARBIDE AND CARBON CORPORATION AND SUBSIDIARIES

OPERATING IN THE UNITED STATES AND CANADA

CONSOLIDATED INCOME AND SURPLUS STATEMENTS, *Year Ended December 31, 1944*

INCOME

INCOME		$161,053,777.26
Deduct—		
Provision for Wartime Adjustments (*See Note 2*)		6,315,714.28
		$154,738,062.98
Deduct—		
Depreciation and Depletion	$ 14,761,233.60	
Amortization	18,270,505.37	
Interest	674,290.45	
Income and Excess Profits Taxes (after deducting Debt Retirement Credit) (*See Note 5*)	88,400,381.60	
***Less*—Postwar Refund of Excess Profits Tax** (*See Note 2*)	5,093,854.21	
	$ 83,306,527.39	117,012,556.81
NET INCOME FOR YEAR		$ 37,725,506.17
ADJUSTMENTS RELATING TO PRIOR YEARS (*See Note 2*)		
Add—		
Estimated Postwar Refund of Excess Profits Tax, not previously recorded through Income—Years 1942 and 1943	$ 6,920,061.72	
Deduct—		
Additional Provision for Wartime Adjustments—Years 1942 and 1943	6,920,061.72	
AMOUNT TRANSFERRED TO RESERVE FOR POSTWAR CONTINGENCIES		3,244,921.72
AMOUNT TRANSFERRED TO SURPLUS		$ 34,480,584.45

SURPLUS

EARNED SURPLUS AT JANUARY 1, 1944		$104,185,352.56
Add—		
Amount Transferred from Net Income	$ 34,480,584.45	
Increase in Market Value of Marketable Securities at December 31, 1944	387,257.65	
Reduction of Valuation Reserve—Securities sold during the year	7,937.64	34,875,779.74
		$139,061,132.30
Deduct—		
Dividends Declared	$ 27,833,364.00	
Payments on Employees' Past-Service Annuities under Retirement Plan	2,939,799.56	30,773,163.56
EARNED SURPLUS AT DECEMBER 31, 1944		$108,287,968.74

*(*Notes continued from preceding page*)

ACCRUED PROVISION FOR WARTIME ADJUSTMENTS

Provided from 1943 Income		$ 2,500,000.00
Provided from 1944 Income		6,315,714.28
Additional Provision applicable to 1942 and 1943		6,920,061.72
		$15,735,776.00
Less—Estimated Cash Refund relating to 1943 under the Renegotiation Act		1,735,776.00
Balance at December 31, 1944		$14,000,000.00

RESERVE FOR POSTWAR CONTINGENCIES

1942—Postwar Refund of Excess Profits Tax	$3,780,687.87	
Transferred from Net Income	6,219,312.13	$10,000,000.00
1943—Postwar Refund of Excess Profits Tax	$4,990,235.24	
Transferred from Net Income	5,535,766.15	
	$10,526,001.39	
Less—Renegotiation Adjustment of 1942 Postwar Refund of Excess Profits Tax	526,001.39	10,000,000.00
1944—Transferred from Net Income	$3,244,921.72	
Less—Renegotiation Adjustment of 1943 Postwar Refund of Excess Profits Tax	1,324,860.00	1,920,061.72
		$21,920,061.72
Less—Postwar Refund of Excess Profits Tax—1942 and 1943 (after adjustments) as shown on Income Statement		6,920,061.72
Balance at December 31, 1944		$15,000,000.00

3—The Trustee of the Savings Plan for Employees holds Collateral Debentures of Carbide and Carbon Management Corporation secured by 78,800 shares of stock of Union Carbide and Carbon Corporation under plans for employees. As of December 31, 1944, the assets held by the Trustee amounted to $5,681,650.83. Union Carbide and Carbon Corporation has agreed to maintain the assets in the Trust Estate in an amount sufficient to permit the distribution of the Trust Estate to the persons entitled thereto.

4—Payments relating to years prior to July 1, 1937, were made to insurance companies in the maximum amounts acceptable to such companies to apply toward the purchase of Past-Service Annuities under the Retirement Plan for Employees. These payments were charged to Surplus. This method has been consistently followed since the adoption of the Retirement Plan on July 1, 1937. Payments for the purchase of Future-Service Annuities were charged against income.

5—Income and Excess Profits Taxes as computed for the year 1944 are lower in the amount of approximately $2,360,000.00 by reason of payments during the year 1944 for Past-Service Annuities in the amount of $2,939,799.56 which were charged to Surplus. Income and Excess Profits Taxes are charged against income after reducing such taxes by the amount of $2,366,900.00 in 1944 and $1,429,100.00 in 1943 representing the Debt Retirement Credit permitted under the Revenue Act of 1942.

6—A review of the operations for 1943 under the Renegotiation Act has been made during the past year. Pending final settlement under the Act, a reduction has been made of $15,411,728.00 in the value of sales and of income before taxes for that year. After allowance of $13,675,952.00 paid in taxes, the estimated cash refund to the Government in the amount of $1,735,776.00 has been charged to Accrued Provision for Wartime Adjustments and included in Other Accrued Liabilities. Also, a reduction in the Postwar Refund of Excess Profits Tax for the year 1943 has been made amounting to $1,324,860.00. It is impracticable to determine the effect of this Act on the operations for the year 1944. Therefore, no specific provision pertaining to 1944 operations has been made out of 1944 income other than the general Accrued Provision for Wartime Adjustments against which possible refund under this Act and other adjustments arising out of war conditions will be charged.

AUDITORS' REPORT

UNION CARBIDE AND CARBON CORPORATION:

We have examined the balance sheet of Union Carbide and Carbon Corporation and its one hundred per cent owned subsidiaries operating in the United States and Canada, as of December 31, 1944, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and accounting procedures of the companies and, without making a detailed audit of the transactions, have examined or tested accounting records of the companies and other supporting evidence by methods and to the extent we deemed appropriate. Except that it was not practicable to confirm receivables from United States Government agencies, as to which we have satisfied ourselves by means of other auditing procedures, our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of Union Carbide and Carbon Corporation and its subsidiaries consolidated at December 31, 1944, and the results of consolidated operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except that the postwar refund of excess profits tax for 1944 is reflected in income of that year, whereas the postwar refund for 1943 was not reflected in income of the year 1943 as set forth in the Annual Report to Stockholders for that year.

HURDMAN AND CRANSTOUN
Certified Public Accountants

New York, N. Y., March 10, 1945.

(*Continued from page* 647)

gains is something which cannot be ignored by any investor who contemplates taking his profits at this time. Every time a profit is taken, an investor is made poorer by the amount of the tax liability incurred. For instance, if one owns 100 shares of Raytheon at 70, the stock is worth $7,000. It may have cost $20 a share over 6 months ago, or $2,000. If he sells it, he incurs a 25% tax on $5,000, involving a cash outlay of $1,250, reducing his principal to $5,750. This means that until Raytheon declines from 70 to below 57½, he could not buy back the asset he has sold at a profit.

It may be objected that some day the stock will have to be sold and the capital gains tax paid; and that it is better, therefore, to pay capital gains taxes (on what amounts to an installment plan) as one goes along. That is a matter which every investor must decide for himself. Some time in the future, of course, market and economic conditions will justify a fully liquid position and all capital gains should be taken. It is possible that the accrual of too large unaccepted capital gains at this time may prove to be a fatal inhibition against doing the right thing on that important day.

Furthermore, especially in an economy where conditions are changing as much as they are likely to change during the next year or two, it may be well to rotate one's holdings from issue to issue rather than to maintain a constant position.

It is utterly impossible at this time to know the stock market's pattern of selectivity during the reconversion and postwar periods. As one famous market letter writer recently told the New York Society of Security Analysts at a noon luncheon meeting, "It may be best to do one's postwar investing postwar, rather than to try to do it now."

Another Look at the Metals

(*Continued from page* 633)

and the Surplus Property Act will soften postwar problems to some extent, anticipated over-supplies of scrap cloud the horizon. Plant expansion both by Government and by private concerns has been enormous. Alcoa alone has expended more than $300 million for new facilities, and more than $450 million was invested by the Government in new Alcoa-operated plants.

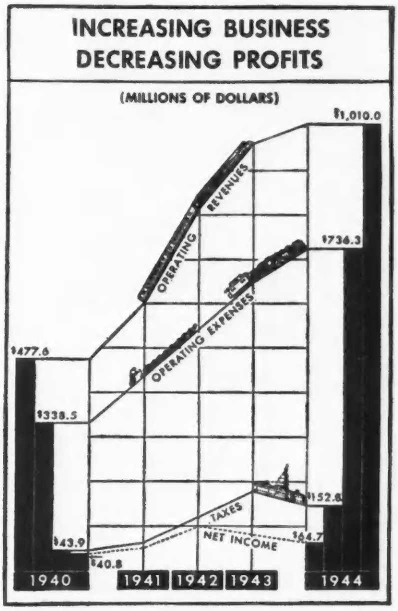
The peculiar characteristics of aluminum have won it an increasing degree of consumer demand, and extensive plans have been laid to expand its popularity in the coming peacetime years. The industry then hopes to find an outlet for at least three times its prewar production, principally in the fields of transportation, building and household equipment. Enormously increased output in wartime has permitted progressive price reductions down to 15 cents a pound, and future demand is likely to sustain this figure. Ample resources and strongly entrenched position suggest ability of the few dominant concerns in

(*Please turn to page* 652)

Pennsylvania Railroad Reports on its 98th Year of Service

INCOME STATEMENT

INCOME:	1944	Comparison with 1943
Operating Revenues—Freight, Passenger, Mail, Express, etc.	$1,010,015,912	I $30,242,757
Other Income—chiefly dividends and interest on securities owned	39,272,649	D 3,230,869
Total	1,049,288,561	I 27,011,888
EXPENSES:		
Operating Expenses	736,318,745	I 72,808,034
Taxes	152,838,409	D 27,567,082
Equipment and Joint Facility Rents	11,886,692	I 3,576,150
Other Charges—chiefly rentals paid for leased roads and interest on the Company's debt	83,524,284	D 1,107,161
Total	984,568,130	I 47,709,941
Net Income	64,720,431	D 20,698,053
DISPOSITION OF NET INCOME:		
Appropriations to sinking and other funds, etc.	3,244,558	I 1,320,439
Retirement of Debt—Penna. R.R. Co.	18,767,970	I 1,456,970
Dividend 5% ($2.50 per share)	32,919,385	—
Transferred to credit of Profit and Loss	9,788,518	D 23,475,462



Even though the volume of business was greater than in any year in the Company's history, Net Income of $64,720,431 was $20,698,053 less than in 1943, and $36,748,362 less than in 1942.

RESULTS FOR THE YEAR

Business continued at a very high level during 1944, the volume being the largest in the Company's history. Operating revenues for the first time in almost one hundred years of operation amounted to over one billion dollars.

While operating revenues increased $30,242,757, due to the greater volume of traffic, this was more than offset by an increase of $72,808,034 in operating expenses, caused principally by the full effect of the wage increases referred to in the 1943 report, increased costs of material and fuel, and the cost of handling the larger volume of business. Taxes remained abnormally high. As a result, Net Income of $64,720,431 was $20,698,053 less than in 1943, and $36,748,362 less than in 1942. Notwithstanding this fact, the dividend paid in 1944 was maintained at the same rate paid in 1943 and 1942, or 5% ($2.50 per share).

TAXES

Railway taxes of the Company for 1944 (federal income taxes, excess profits taxes and other federal, state and local corporate and property taxes), amounted to $126,034,483. They were, with the exception of 1943, the highest in the history of the Company. These taxes, together with Unemployment Insurance taxes of $12,862,679, and Railroad Retirement taxes of $13,941,247, aggregated $152,838,409.

All taxes required 15.2 cents out of each dollar of operating revenue, the equivalent of 23.3% upon the capital stock, or $11.63 per share. The extent of the tax bill in 1944 is well indicated by the fact that taxes took about 70 cents out of every dollar left after paying operating expenses and other charges.

REDUCTION OF FUNDED DEBT

Substantial reductions in the outstanding debt in the hands of the public continued during the year, the debt of System Companies being reduced $31,283,927. The debt of the System in the hands of the public shows a net reduction of $138,000,000 during the last five years.

REFINANCING OF BONDS

Refunding operations, detailed in the report, have resulted in calling for redemption, during 1944 and so far this year, four issues of bonds totalling $140,735,000, while new issues, totalling $129,735,000, and bearing lower rates of interest, have been sold to provide funds for the redemptions. These transactions insure ultimate savings of approximately $61,000,000. In addition, refunding operations of three terminal companies, jointly owned with other railroads, will produce ultimate savings to the Pennsylvania of approximately $9,200,000.

THE EMPLOYES

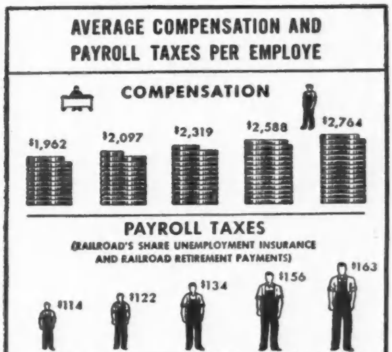
The Board takes pleasure in acknowledging the continued loyalty and efficiency of the employes, who have supported the war effort in full, and cooperated wholeheartedly and effectively with the management.

A remarkable job has been done by these employes—continuously now for five years—and it is to the lasting credit of these men and women who staff and operate the railroad that they have never failed to meet their responsibilities in all the problems that have confronted the railroad.

STOCKHOLDERS

The Capital Stock of the Company at the close of the year was owned by 213,121 stockholders, an increase of 3,503 compared with December 31, 1943, with an average holding of 61.8 shares.

M. W. CLEMENT, *President.*



The chart shows the steady increase in the average compensation per employe of the Pennsylvania Railroad, and in the railroad's share of unemployment insurance and railroad retirement payments over the past five years.

THE PENNSYLVANIA RAILROAD

Serving the Nation

BUY UNITED STATES WAR BONDS AND STAMPS

(*Continued from page* 650)

the field to do reasonably well in postwar periods of active business and lessened tax pressure. A further orderly decline in selling prices is not improbable, however, making for narrower postwar profit margins.

The meteoric rise in the use of m a g n e s i u m, three-fifths the weight of aluminum, during the war points to that metal's increasing importance as a competitor in the light metal field. Extensive plant construction by the Government and by private concerns, plus unlimited supply sources through derivation from sea water, have brought the price for the metal down to about 20 cents a pound compared with $5 a pound in 1915. Several concerns, including Anaconda, National Lead, and American Metals have to some extent invaded the production field of magnesium, but Dow Chemical will undoubtedly retain its commanding position in postwar days. High fabricating costs and certain technical disadvantages may retard competitive progress of the metal, a factor which precludes dependable appraisal of its postwar potentials, seemingly bright as they are. For many special uses, particularly in aviation and the automotive field, its growth factors are substantial. Experts in the field, however, predict consumption demand reaching no higher than 60 million pounds per annum within five years after war, while the present stockpile exceeds 100 million pounds and thirteen government-built plants costing $453 million present a production potential far in excess of any foreseeable needs.

About 65% of domestic lead, mined by a number of concerns, is marketed by St. Joseph Lead and American Smelting, the former producing most of its own supply. Lagging development of new domestic ore reserves has restricted production during the war, and labor shortages have also caused trouble. The present ceiling price of 6.5 cents a pound is likely to decline in postwar days with large foreign surpluses already bolstering our stockpile and lowered tariffs stimulating imports from Mexico. Prospective large demand for lead in automobile batteries in postwar years, however, will benefit the industry, while the prospective building boom will broaden market horizons for both lead and zinc with the paint trade. Smelter capacity for zinc has been increased about 25% during the war, and while domestic ore reserves are ample to meet postwar demand, price levels may decline from pressure of low-cost foreign offerings. Lead and zinc, like copper, have always experienced volatility in price.

Investors in the non-ferrous metal stocks, especially in those of the stronger companies, will find features of encouragement in the postwar outlook but also uncertainties which can hardly be clarified or rationalized at this time. Admittedly, the problems faced by the metal mining industries are many and serious. Even granted that the surplus problem can be coped with effectively, both as to supplies and productive capacity, reduced ore reserves, lower quality ores, the possibility of lower tariffs and above prewar wage scales and taxes becloud the outlook as their exact impact on postwar earnings potentials are difficult if not impossible to predict.

On the brighter side, there will be a large accumulated demand for durable metallic goods which should result in a volume of business temporarily at least larger than in prewar years, and those low-cost producers having complete integration of facilities should be able to report profits and pay dividends large enough to justify current prices. Marginal companies of course are bound to revert to their unattractive prewar status.

Companies Planning For Postwar Growth

(*Continued from page* 616)

Decca Records is one of the outstanding success stories of the past decade. Starting in 1934 in a field which many believed was "dominated" by larger and long-established concerns, it zoomed to leadership on brains and ingenuity: in a word, showmanship as purveyors of entertainment on records. Sales passed $1,000,000 in 1936, and were ten times larger than that by 1942. Shortage of materials has slowed growth temporarily since 1942. Here is an outstanding case where strong growth, already established, will automatically yield a large profit increment with the elimination of the excess profits tax. In the writer's opinion, post-war earnings of $4 to $5 a share are a good possibility on this stock, now at 36.

Prospects for Steels

(*Continued from page* 630)

the light metals such as aluminum and magnesium, and even plastics, have been regarded in some quarters as likely to transform many metal working industries, even to the point of offering stiff competition for steel. But steel men generally are not seriously concerned on that point. There is still a substantial price margin in favor of steel. The quantity of light metals available is still but a dribble alongside the huge steel tonnages produced. And some of the special steels recently developed give greater strength with little added weight. Steel is still the cheapest, most abundant and probably most versatile of all metals and therefore should share fully in any degree of industrial activity or expansion which the future holds. Where

(*Please turn to page* 654)

Celanese Corporation of America

AND SUBSIDIARY COMPANIES

TEXTILES
PLASTICS
CHEMICALS

SUMMARY OF 1944 OPERATIONS

Celanese Corporation of America further broadened its activities in 1944 and sales volume attained a new record high of $101,655,680.44. Consolidated net income, after provision for Federal income and excess profits taxes, totaled $7,235,189.79, equal to $2.86 per common share. Federal, state and local taxes for the year totaled $13,518,325.19 or $8.55 per common share.

NEW BENEFITS FROM SYNTHETICS

Again last year the war effort had first call on research and production facilities of Celanese Corporation of America. Nevertheless, the Company has done its utmost to supply essential civilian needs. Wartime research and production have pointed the way to new and improved synthetic products. When military demands lessen, Celanese* textiles, plastics and chemicals will be directed more fully to civilian channels. Synthetics, with their great advantage of inherent flexibility, will meet the requirements of countless combinations of properties for many products.

CHEMICALS

Construction of the new chemical plant at Bishop, Texas, neared completion. Production will be started at an early date. This plant, located close to the raw material supply, will produce various chemicals from petroleum base materials. Starting with natural gas or petroleum, a large group of important basic chemicals can be developed and these in turn can be converted into many useful compounds. Particularly fruitful in its potentialities is the basic chemical, acetaldehyde from which is derived acetic acid, one of the prime chemicals used in producing Celanese* Yarns. During the year, a separate sales division of Celanese Corporation of America, Celanese Chemical Corporation, was organized to handle the sales of chemicals.

PLASTICS

Celanese enjoys many advantages in the plastics industry. As the long established leader in production of cellulose acetate, Celanese has always possessed unequalled background of research and experience out of which has come the famous group of Lumarith cellulosic-base plastics. Celanese Plastics Corporation was created in 1944 as a sales division, further indicating the increased scope of Celanese operations in plastics.

TEXTILES

The influence of Celanese* Yarns upon the textile industry has been far reaching. Their versatile properties have been responsible for an endless list of improvements and advances—new fabrics, new styling, new merchandising. Many outstanding combination yarn fabrics of today could not be made without cellulose acetate yarn. Celanese has developed a variety of synthetic yarns possessing precisely controlled properties. Among them is Fortisan, the strongest textile yarn in the world, which is now being used in large quantities for certain types of parachutes and other military equipment.

* * *

One of America's real military assets has been its producers of synthetics. Until the war is won, the objective of the men and women of Celanese will be production for victory. Once this is accomplished, the Company will readily transfer its activities to meet post-war civilian demands.

An illustrated booklet, *"New Benefits for the World from Synthetics,"* has just been published. We will gladly send a copy on request.

Condensed Consolidated Balance Sheet, December 31, 1944

ASSETS

Current Assets:		
Cash with Banks and on Hand		$26,093,858.16
U. S. Government Obligations (quoted market value $14,924,822.65)		14,914,690.65
Trade Accounts Receivable, less reserves		7,913,007.94
Other Accounts and Advances and Interest Receivable		541,668.42
Inventories (Raw Materials, Work in Process, Finished Goods and Supplies)—at cost or less, not in excess of market		8,549,632.10
Total Current Assets		58,012,857.27
Post War Refund of Federal Excess Profits Tax		2,297,500.00
Notes and Accounts Receivable—Deferred, less reserve		235,510.98
Investments—at cost:		
Foreign subsidiary		654,641.38
Other		1,712,665.23
Land, Buildings, Machinery and Equipment—at cost	$88,894,550.46	
Less Reserves for Depreciation and Amortization	30,077,817.41	58,816,733.05
Prepaid Expenses and Deferred Charges:		
Debt Discount, Premium and Expense, less amount amortized	2,162,301.74	
Research and Experimental Expenses, less amount amortized	1,374,446.14	
Insurance Premiums, Taxes and Other Prepayments	1,413,299.74	4,950,047.62
Patents and Trade-marks		1.00
		$126,679,956.53

LIABILITIES

Current Liabilities:		
Trade and Other Accounts Payable		$ 3,098,701.19
Accrued Liabilities		3,281,551.64
Reserve for Federal Taxes on Income (excluding $3,448,000.00 shown as a non-current liability) $12,862,733.85, less an equivalent amount of U. S. Treasury Tax Notes		
Total Current Liabilities		6,380,252.83
Reserve for Federal Taxes on Income—withheld from payments in 1944 and 1943 based on application for relief under Section 722 of the Internal Revenue Code		3,448,000.00
3½% Debentures, due July 1, 1962 (of the amount outstanding at December 31, 1944 $25,539,000.00 is to be retired by January 1, 1962 in increasing amounts and at six month intervals, which at the company's option need not commence until January 1, 1946 because of anticipation of sinking fund requirements)		34,289,000.00
Reserves		3,479,708.62
Capital Stock:		
Authorized:		
First Preferred—500,000 shares, without par value (authorized April 17, 1944)		
7% Second Preferred—148,179 shares, par value $100.00 per share.		
Common—1,750,000 shares without par value.		
Issued and Outstanding:		
First Preferred, $4.75 Series, Cumulative (issued April 17, 1944)—350,000 shares	$33,425,000.00	
7% Second Preferred — 148,179 shares	14,817,900.00	
Common—1,579,448 shares	1,579,448.00	49,822,348.00
Surplus:		
Capital	14,877,669.24	
Earned (since December 31, 1931)	14,382,977.84	29,260,647.08
		$126,679,956.53

Condensed Consolidated Statement of Income and Earned Surplus for Year 1944

Net Sales		$101,655,680.44
Cost of Goods Sold		68,351,239.97
Depreciation		4,294,847.87
Selling, General and Administrative Expenses		8,988,118.18
		81,634,206.02
Net Operating Profit		20,021,474.42
Other Income		248,767.62
		20,270,242.04
Income Deductions (including interest $1,200,115.00)		1,491,552.25
Net Income before Federal Taxes on Income		18,778,689.79
Federal taxes on income (including $8,705,000.00 Excess Profits Tax, less Post War Refund $870,500.00)		11,543,500.00
Net Income for Year		7,235,189.79
Earned Surplus at beginning of year		16,109,503.92
		23,344,693.71
Deduct:		
Cash Dividends:		
Common Stock—$.50 per share	$ 786,593.00	
7% Cumulative Series Prior Preferred—retired April 17, 1944—$2.65-2/5 per share	437,426.98	
5% Cumulative Series Prior Preferred—retired April 17, 1944—$1.48-2/5 per share	55,961.64	
7% Second Preferred—$7.00 per share	1,037,253.00	
First Preferred Stock, $4.75 Series, issued April 17, 1944—$3.35 per share	1,173,052.59	
	3,490,287.21	
Common Stock Dividends to common shareholders, March 31, June 30, and September 30, 1944 at the rate of one share for each seventy shares held	2,142,917.00	
Total Dividends	5,633,204.21	
Premium on Redemption of Prior Preferred stock in April 1944	3,162,882.90	
Expenses in connection with redemption and sale of Capital Stock, in 1944	165,628.76	
Total Deductions		8,961,715.87
Earned Surplus at end of Year		$ 14,382,977.84

Statement of Capital Surplus for the Year ended December 31, 1944

Balance, as at December 31, 1943		$ 8,992,451.13
Add—Excess over stated value of 139,152 shares Common Stock sold in April 1944		4,104,984.00
Proportionate amount of capital surplus applicable to dividends paid in Common Stock		2,079,172.00
		15,176,607.13
Less—Premium on redemption of 7% Cumulative series Prior Preferred stock in 1944	$246,607.10	
Expenses in connection with sale of Capital Stock in 1944	52,330.79	
		298,937.89
Balance, as at December 31, 1944		$14,877,669.24

The foregoing balance sheet and statements are taken from the annual report, dated February 27, 1945 to stockholders of Celanese Corporation of America, and should be read in conjunction with such report which contains the certificate of Messrs. Peat, Marwick, Mitchell & Co., Auditors, attached to such financial statements. A copy of the report to stockholders may be had upon application to the Corporation. The said balance sheet, statements, and report are not intended to constitute an offer, solicitation of offer, representation, notice, advertisement, or any form of a prospectus in respect of any security of Celanese Corporation of America.

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(*Continued from page* 652)

the cost of the finished article is largely determined by the cost of the principal material it contains, steel seems securely placed because it is cheap.

So much for the longer term outlook. While great uncertainties exist, especially on the cost-price front, the outlook on the whole appears not only logically good but really promising. The more immediate prospect is less satisfactory.

After working itself into a comfortable mid-year position in 1944, the industry now is again entering a period of sharply revived demand, with its schedule improvisation, maintenance difficulties, delayed deliveries, sudden shifts in requirements — all cost increasing factors —, and an impending series of labor demands to boot. While increasing war requirements assure near-record production well into 1945, margins are apt to narrow further so long as war-time official policy militates against full relief from the price-cost squeeze. With costs rising faster than sales, relatively meager profits — measured against volume — are in prospect until a full and fairly free peacetime economy prevails. The latter, however, should be productive of substantial earnings.

Meanwhile, the longer the war lasts, the greater the squeeze against profits. Various steel products are actually being turned out at less than cost, despite recent piecemeal price revisions, and more likely than not, 1945 may bring lower dividends. The extent of the downturn of operations after VE-Day is still problematical; according to current opinion, it may not exceed 15% but the actual decline will probably be greater, perhaps as much as 40%. It is only of temporary importance because the slack should be taken up fairly rapidly as domestic civilian, and world demand, is being released. While it lasts, the extent of the decline will vary with the type of steel ordinarily produced by each company. The most severe drop will probably occur in heavy steel. Companies whose output consists largely of light steels and other steels used in consumers' durable goods industries may find demand so strong, after a short interim period, that total output will show only a small recession from war-time levels.

These latter, in the main, are also the companies whose earnings have been least inflated by war-time demand; their prewar earning power consequently deserves correspondingly more weight in estimating postwar potentials. Taxes of course will be heavier than prewar despite possible relief from high war-time rates, but their impact, owing to variations in capital structures, will vary considerably.

In spite of this, war-time earning power must not be ignored in appraising the outlook of individual companies. There are several reasons. Many companies have expanded their facilities in ways that will boost postwar earning power considerably above prewar. Plants have been modernized making for higher postwar efficiency. Financial positions have been strengthened. New uses for steel, new processes and new techniques have been developed. There can of course be no certainty how all this, individually, may work out in the postwar, but these nevertheless may be factors of importance.

Last but not least, and this applies to most companies, plants and equipment during the war years were substantially written down by establishing abnormally large reserves for depreciation, depletion, amortization and contingencies. Accordingly, much smaller charges of this type are expected under forthcoming peace-time operations, and maintenance expenditures should also be less, which naturally should find expression in net earnings.

War-time financial improvement of most steel companies has been impressive. Cash items bulk large on latest balance sheets. Funded debts have been refinanced at lower rates and often greatly reduced by repurchases or retirements. Arrears in preferred dividends have been largely cleared up, the lone exception being Pittsburgh Steel Co. On the whole, the strengthened financial positions should markedly aid postwar earning power of most companies on a per share basis, compared with prewar.

In some instances, the growth in industrial or productive strength (and it was considerable) has been fully matched by growth in financial strength. This becomes apparent when we examine the increase in net working capital ratios to funded debt and preferred stock outstanding. In the case of Inland Steel, for instance, this ratio rose from 80% in 1937 to 184% in 1943; respective ratios of Republic Steel are 57% and 110%; U. S. Steel 76% and 104%; Youngstown Sheet & Tube Co. 78% and 136%. It means that while in 1937, no steel concern's common stock had an equity in liquid resources, some of them today are so well heeled that liquid resources exceed combined debt and preferred stock; almost all of the others are not far from such a sound position. For steel companies, requiring as they do very large capital investment, this is a rather unprecedented showing.

It goes without saying that growth in inherent strength, however impressive and desirable, does not by itself make steel company stocks good investments. It is their sales and profit experience that really counts, and if that experience is good — as it promises to be in the immediate postwar era —, greater intrinsic strength should certainly encourage ultimately higher market valuation of earnings than now prevailing. Having lagged far be-

hind the market, there is ample room for catching up pricewise once existing uncertainties begin to clarify. For the moment, and despite recent improved market behavior of the steels, there still seems considerable hesitation to discount apparent postwar potentials more liberally. This is understandable when one considers that these potentials at best are far from clearly definable.

To put the question in a nutshell: How many tons do postwar markets add up to in the face of an unknown degree of Government competition, of competition from other mateials, or reasonably defined business prospects? The sum total obviously is the first important yardstick which the industry needs to estimate the possibilities of future earnings.

While all indications are that steel will continue to be a "prince and pauper" industry because of the strong cyclical factor present, its current financial strength, the extraordinary technical progress made during the war and presently foreseeable postwar business prospects seem to augur well for the immediate peace years ahead.

As pointed out before, the twin bugaboo of over-capacity and competition may turn out to be considerably overstressed. Signs are that this is gradually being realized. But so far, steel stocks have been unable to overcome their handicap of being thought of as "war babies," an attitude which seems to be effectively beclouding the industry's future profit making potentials. Exercising proper selectivity, the speculative investor may well profit from timely recognition that steel, while vital in war, is equally essential in peace.

On basis of past performance and future prospects, makers of light steel products have considerable longer term attraction at current prices, since they stand to benefit most from the expected postwar boom in consumer durable goods. Inland Steel and National Steel, both demonstrated low-cost producers, fall into this category. Together with American Rolling Mill, they will be prime beneficiaries of expected higher prices for semi-finished steel products, once price adjustment is permitted. This also applies to Wheeling Steel and Republic Steel.

Allegheny-Ludlum Steel, Rustless Iron & Steel and Crucible Steel, outstanding in the stainless and special steel fields, have marked long-term growth characteristics. Among producers of heavy steel products, U. S. Steel and Bethlehem have the advantage of owning the greatest ore reserves. Both have excellent export potentials and should earn good profits in periods of active demand for heavy steels. Bethlehem due to its vast war-time ship building activity faces a severe readjustment problem which bulks far less in the case of U. S. Steel. The latter due to growing diversification into light steel products should henceforth be somewhat less drastically affected by cyclical swings in demand.

It is the legitimate conflict in appraising postwar possibilities that imparts the present-day speculative element to steel equi-

(*Please turn to page* 657)

What you do with your money can wreck you *(and your Uncle Sam)*

BUY, BUY, BUY! Foolish people are doing it, *over*doing it. But sensible folks know that with every needless purchase—or every time you patronize a black market or buy above ceiling—you do your bit to force prices up all along the line. That's the way inflation gets a boost.

IT CAN HAPPEN HERE—again! Today, with fewer goods in the stores while incomes are high, the danger of inflation is greater than ever. Inflation is always followed by depression. What can you do to head off another depression? Buy nothing you do not really—*really*—have to have . . . today.

SAVE, SAVE, SAVE! That's the way to make America good for the boys to come home to. Pay up debts, put money in life insurance, savings bank, War Bonds. Every cent you save now helps to keep prices down—and when the war is won you'll have use for that nest egg you've laid away.

A HOME OF YOUR OWN, a better farm, a real vacation, something to retire on—these are things worth saving for. Store up your money now while prices are high. There's a time to splurge and a time to save: today, while money's coming in, is a good time—the *right* and patriotic time—to SAVE!

4 THINGS TO DO

to keep prices down and help avoid another depression

1. Buy only what you really need.
2. When you buy, pay no more than ceiling prices. Pay your ration points in full.
3. Keep your *own* prices down. Don't take advantage of war conditions to ask more for your labor, your services, or the goods you sell.
4. *Save.* Buy and hold all the War Bonds you can—to help pay for the war, protect *your own* future! Keep up your insurance.

HELP US KEEP PRICES DOWN

A United States War message prepared by the War Advertising Council; approved by the Office of War Information; and contributed by this magazine in cooperation with the Magazine Publishers of America

(*Continued from page* 655)
ties. As a result, price-earnings ratios for the most part are moderate and yields good. Recent strength and activity of leading steels, however, point to gradual revision of formerly skeptic attitudes in favor of more optimistic appraisal of future prospects. Should this process continue and broaden, selected steels would seem to offer excellent appreciation potentials. Essentially, they are a speculation on a high-level postwar economy.

Variations in Corporate Financial Strength as Revealed by 1944 Balance Sheets

(*Continued from page* 619)
little more than one-sixth of current assets. "Other assets" include a postwar refund of $1.19 million, a contingent current asset which further enhances the company's liquid position.

By comparison, the balance sheet of Continental Steel Co., one of the smaller steel producers, reveals only minor changes. Total assets declined moderately and working capital remained virtually unchanged. Changes in inventories and receivables were insignificant; cash holdings were higher and holdings of Government securities declined by about half of the increase of the former. Together, they fully cover current liabilities while securities holdings alone greatly exceed tax reserves.

Westinghouse Air Brake Company last year fully engaged in war or other essential production, shows a 15% increase in total assets but working capital rose only moderately and the current ratio declined slightly. Cash and securities holdings show noteworthy gains; together these items more than cover current liabilities but securities alone fail to offset tax reserves by a sizable margin. The company has a postwar tax credit of $3.62 million which becomes a current asset after the war, bolstering to that extent the financial position as far as prospective postwar needs are concerned. In view of the sharp increase in tax liabilities that occurred during the past year, the working capital position is none too ample, hence status and potential liquidity of receivables and inventories assume added importance.

The statistical exhibit of Penick & Ford shows relatively minor changes in principal balance sheet items. Both total assets and working capital increased but the current ratio contracted slightly. Government securities holdings exceed current liabilities; together with cash, these liquid assets amount to over 50% of current assets while of the latter, an additional 36% are represented by inventories. Surplus and reserves gained moderately. Despite the gain in inventories, about $500,000 were added to securities holdings, presumably funds not needed for current operations.

PENICK & FORD, LTD.

	Dec. 31 1944	Change
	($ million)	
ASSETS		
Cash	1.550	—0.005
U. S. Gov't securities	3.399	+0.534
Receivables, net	1.256	—0.024
Inventories, net	3.613	+0.316
Other current assets	0.038	+0.002
TOTAL CURRENT ASSETS	9.856	+0.823
Plant and equipment	13.823	+0.053
Less depreciation	9.964	+0.386
Net property	3.859	—0.333
Other assets	1.333	+0.180
TOTAL ASSETS	15.048	+0.670
LIABILITIES		
Accts. payable and accruals	0.793	+0.013
Reserve for taxes	2.377	+0.433
TOTAL CURRENT LIABILITIES	3.170	+0.446
Reserves	0.659	+0.038
Capital	5.014	——
Surplus	6.205	+0.186
TOTAL LIABILITIES	15.048	+0.670
WORKING CAPITAL	3.686	+0.377
Current Ratio	3.1	—0.02

Around The World

(*Continued from page* 624)
liberated section has been further complicated by the fact that some 60-70 per cent of the industrial enterprises located there have been destroyed. But they could not have operated anyhow, because roughly one-half of the hydrolectric power stations (90 per cent of the motive power supplied to industrial enterprises and railways consisted of electricity) have been likewise put out of commission. The Italian merchant marine, which before the war consisted of 3¼ million tons (deadweight) of shipping, was reduced to less than ½ million tons.

While in France the problem of inflationary control may be on the way to a solution, once the transportation facilities are functioning and the distribution of goods

(*Please turn to page* 658)

(*Continued from page* 657)

is resumed — *in Italy there are no goods to be distributed.* For this reason, inflation continues to spread in Italy and the confidence in the lira, the exchange rate of which was fixed at 100 lire to one U. S. dollar in 1943, is beginning to wane despite the low valuation placed upon it. Real rehabilitation of Italy can only begin when the industrial North is also liberated.

New Forces In World Economy

(Continued from page 614)

dodge" to overcome the barriers in the Johnson Act against foreign loans to nations in default of their debts. They are mindful of the fact that France has some $3 billion in assets abroad (largely in this country) and could well afford to pay. The fear is that continued large-scale postwar procurement activities of the Government will at least postpone, limit or even preclude the operation of normal commerce, perhaps to the detriment of quick reconversion at home. The French agreement, involving a total of $2,575 million whereof $900 million worth of capital goods including rolling stock, water craft, machinery and other industrial equipment, will form a test case of Section 3-c of the Lend-Lease Act which permits postwar deals if they are negotiated before July 1, 1945 and provide for delivery before July 1, 1948. The Administration is asking for extension of the Act and of Section 3-c as well, clearly foreshadowing further application of this clause.

Simultaneously, the lines are forming for a new dispute on a very old subject, the tariff. Behind it is Administration intention of using tariff reductions as an incentive in a campaign for heavy world-wide flow of postwar international trade. Other nations are to be offered access to the rich U. S. market if they are willing to remove the barriers that keep foreign goods out of their own lands. Ultimate hope is for a world economic conference and a general agreement leveling tariffs and other obstacles to commerce.

First intimations of what is in the official mind have just come from the Inter-American Conference in Mexico City where American spokesmen came out in favor of virtual free trade with, and industrialization of the Latin American republics. The conference saw placed before it the outline of American policy in respect to world postwar economics, and for the first time, we were apprised of firm policies which are to govern discussions in the economic sphere to take place at the United Nations conference in San Francisco. The program as outlined in official statements is both idealistic and far-reaching and some of the points promise to be thorny. While the State Department expects to obtain a firm commitment on free enterprise, it appears that the program, as a whole, by its very nature, can for the time being be no more than a guide and basis for discussion, especially when it comes to elimination of state trading and trade barriers.

As it is, congressional high-tariff advocates are wary and preparing for battle. Other nations are watching skeptically and making their own postwar trade plans, plans which at present show frequently a trend away from the economic cooperation which the Administration would like. Hence our Government's insistence on adoption of the Bretton Woods agreement as a token of our willingness to help and cooperate, in order to induce others to do likewise.

The argument for lower tariffs leads back to the need of heavy exports to maintain full employment which means that we must find paying customers for our exports. But many in industry and Congress remain unconvinced. Foreign attitudes, too, often are not too encouraging. Britain frankly intends to use the Empire preference system more than ever. Russia is naturally inclined to state control and economic nationalism, if not economic isolation. Similar tendencies have begun to assert themselves in other countries. Only recently, American exporters have become quite vocal in deploring new trade curbs abroad, especially in South America and the Middle East. On the whole, it appears a difficult task to obtain a tariff agreement framed so as to satisfy both Congress and other nations, and yet harmonizing with Administration aims.

Nor is there agreement among interested quarters in the matter of "bold postwar investment abroad" which is to become the dominant economic style for us according to numerous official indications. The fear is, and it is based on past experience, that in the long run such investments — mostly under Government sponsorship — may prove to be largely permanent exports of capital with little chance of either repayment or any sort of return. Official quarters hold more optimistic views. Eventually, they think, such investments will not only be repaid but they will contribute importantly to the development of latent resources of foreign countries, ultimately strengthening our own future trade potentials.

These, then, are the new forces in the world economy and the pattern of our own economic policies as they are now shaping up. The complexity of these forces, and above all their potential impact on our own position, explain the moves so far undertaken by the Government and others still in the offing. There is no room for doubt that postwar economic stability and revival of a free flow of world commerce will be the great problem, but also that it can be solved under wise procedure.

To our own country, economic stability is no less essential than to the rest of the world, probably more so. Without it we cannot

(*Please turn to page* 660)

(*Continued from page* 658)
achieve the goal of boosting our foreign trade sufficiently to assure full employment, a symbol of promised reward that seems to have taken a thorough hold in postwar thinking. The price may come high but so is the stake.

Answers to Inquiries

(*Continued from page* 642)
sharp break in the market, that a cautious attitude is soundest for one seeking safety. We therefore think it wise for your daughter to leave her money in the savings bank until such a time as a substantial market break would present purchase opportunities. Purchasing stocks at the right time only, is of the essence.

We suggest your watching Consolidated Edison and American Telephone & Telegraph. These represent highgrade equities paying a liberal yield.

Lee Rubber Tire
Raybestos Manhattan Co.
S. S. White Dental Co.

I was thinking of buying stock in these three companies:

Lee Rubber Tire
Raybestos Manhattan Co.
S. S. White Dental Co.

Would you therefore give me what information you may have regarding them? I shall very much appreciate your help.
—C. E. C., Chicago, Ill.

Lee Tire & Rubber Company: A review of operations since 1936 would seem to indicate that management is exceptionally qualified and forward looking. In this period the lowest report of earnings was $2.20 per share in 1936, while the highest figure was $6.14 in 1941 with an 8 year average of $4.17 per share per year. Dividends paid on this stock were 50 cents in 1936, $1.50 in 1937, $2.50 in 1938 and 1939, and $2.25 each year since then plus 5% in stock also paid in October 1939. Net asset value of the shares have shown steady increase in this period running from $32.30 in 1936 to about $46.75 at present or almost a 50% increase.

Raybestos-Manhattan Inc.: This concern manufactures not only an extensive line of products including brake linings, clutch facings and related items for the automotive trade, but also a long list of standard and specialized rubber sundries, abrasive tools and asbestos textiles taken by a wide range of industries. In 1940, about 48% of total business was with the automobile industry, the larger portion consisting of original equipment sales to manufacturers including General Motors, Ford and Chrysler. At present, all divisions are working on war orders. In view of company's excellent trade position, future business will closely follow automobile assemblies which are expected to run at peak levels for a number of years after the war. Non-automotive sales normally account for about one-half the total volume and should likewise be well maintained, pointing to peak earnings in the early postwar period. Prospects are for excellent replacements business, additionally, in view of inadequate automobile maintenance in war time. 1944 net earnings should approximate $2.75 a share against $2.63 in 1943, regular annual dividends of $1.50 may be supplemented by year-end extra equal to the $2.12½ paid last year. Finances are strong and liquid. Pre-war earnings were steady and dividends good. Current dividend yield is about 6%.

S. S. White Dental Manufacturing Company: Sales and earnings for the first 9 months of 1944 are estimated to have fallen somewhat below the 1943 level of $1.77 a share. The company's government business has fallen off 50% this year, reflecting a decline in demand by the services for dental equipment and supplies. This has been offset, however, by the strong demand from civilian dentists, resulting in a growing backlog of unfilled orders. Price ceilings, combined with rising material prices and labor costs, have reduced White's margin of profit on civilian goods, and this is reflected in the firm's earnings. S. S. White Company is continuing to supply some dental supplies and equipment to the government and the products of its industrial division including flexible steel castings and plastic products continue to go almost exclusively to the government. The sales of its 60 retail outlets have improved, reflecting increased merchandise available for civilian dentists.

This stock has moved in a narrow range marketwise this past year, however, its long term outlook is favorable.

As I See It!

(*Continued from page* 609)
gram. Under Chapultepec, the small nations are equal with the large ones in decision-making, whereas Dumbarton Oaks places the power of decision in the hands of a few. Thus Chapultepec may well serve as an example to the United Nations when they meet at San Francisco next month to draw the world organization charter. It is perhaps not impossible that the most enthusiastic advocates of the Chapultepec idea among the American republics may try at San Francisco to introduce into the United Nations Charter the philosophy of equalitarian approach to joint settlement of international disputes which Chapultepec represents.

We do not know whether such an attempt will be made. We greatly doubt whether it would be successful. The dispute preceding the compromise agreement of the security council on the voting rules has robbed the world of most of its illusions in that respect. Still it would be eminently worth striving for; nothing could do more towards solidifying the world behind a real organization for peace. As it is, Chapultepec not only stands out as a real accomplishment; it also sets off the dilemma of the small nations in the world security organization as presently conceived.

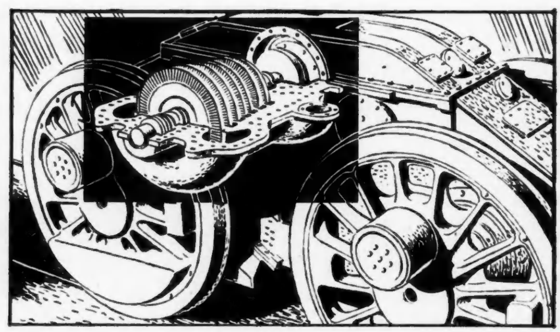
For whatever form the United Nations organization may take, whatever mechanisms may be devised to give all nations a feeling of equality, there is bound to be a residue of uneasiness, envy and distrust in relations between the strong and the weak. This, fortunately, is not so in the Hemisphere organization.

As President Roosevelt recently stated, world peace cannot be a peace of large nations, nor of small nations. It must be a peace which rests on the cooperative effort of the whole world.

This Newest Locomotive

is Powered Like a Battleship

A STEAM TURBINE, like the ones that power our giant battleships, has now been developed by Westinghouse as *a brand new type* of smooth, efficient driving power for railway locomotives.



THE WESTINGHOUSE turbine in the Pennsylvania Railroad's new direct-drive locomotive is *no bigger* than your electric refrigerator—yet it will easily haul long passenger trains.

A TURBINE is really a kind of *steam windmill.* A revolving shaft, with many blades, is driven smoothly and powerfully by jets of steam—just as a toy pinwheel is driven by the wind.

THE RAILROADS are developing a dazzling new kind of transportation for you in the future. The latest and most dramatic improvement is steam turbine power, which gives the Iron Horse "new lungs."

To help produce this new locomotive, the Pennsylvania Railroad, a long-time pioneer in transportation improvements, turned to Westinghouse and the Baldwin Locomotive Works. Working as a team, these companies have produced this latest in a great line of steam locomotives—descended from "Old Ironsides," built by Matthias Baldwin in 1832.

Westinghouse Electric & Manufacturing Company, Pittsburgh 30, Pennsylvania.

Westinghouse

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